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Ottawa
1886

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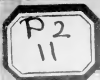
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FINANCES OF THE DOMINION OF CANADA

BUDGET SPEECH

DELIVERED BY

HON. A. W. McLELAN,

MINISTER OF FINANCE.

HOUSE OF COMMONS

30TH MARCH, 1886.

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THE HOUSE OF COMMONS OF CANADA,

TUESDAY, 30TH MARCH, 1886.

Mr. McLELAN. Mr. Speaker: In moving that the House resolve itself into a Committee of Ways and Means, I desire, as has been customary, to make some statements respecting the position of our accounts. This duty has for a number of years been discharged by one who has made fiscal matters a life study, and whose clear and able statements commanded the admiration of the House and the confidence of the country. I am sure that all in this House will join with me in expressing deep regret that the condition of Sir Leonard Tilley's health has compelled his withdrawal, at least for a time, from the more active duties of public life, and I am sure also that I but give expression to the feelings of those around me when I utter the wish that he may be restored to health and may have many happy years of useful and honorable life. In attempting this task, without having had perhaps sufficient time to become familiar with all the details of my Department, I should crave the indulgence of

the House, more especially when I look back to 1867, and see that this position has been from that time to the present always occupied by distinguished and able men. Sir, in looking back to that period over the administration of those eminent men—an unbroken line of gallant knights—I am deeply impressed with the changes that have taken place in the country since that period, with the contrast which the Dominion of Canada presents to-day to the Dominion of 1867. Eighteen years in the history of any country mark it with changes of progress and development, or, perchance, of decay, but I venture to say that in no country in the world are the evidences more strong and marked of progressive development than in the Dominion of Canada. In 1867, we were four Provinces, and we spoke of the country as a great country, one of magnificent distances. We had then Ontario, Quebec, Nova Scotia and New Brunswick, covering an area of 338,000 square miles, with a population of 3,331,000. On the east we have added that most fertile of all fertile islands, Prince Edward, and we have taken our boundaries westward and laid them beside the waters of the Pacific Ocean. In area, we now embrace 3,438,000 square miles. In territory we have increased more than tenfold, and our population more than 50 per cent. But it is not in increased area, it is not in added numbers that the change is most marked. It is in the condition of the great body of the people. They have learned more of each other in those eighteen years, and have strengthened their political, their social, their commercial and industrial ties. In 1867, the two Provinces in the east were separated from the two in the west by an impassable barrier. In winter, and for six months in the year, we were dependent upon the United States for all intercourse and communication between the two upper and the two lower Provinces. In the west, on the admission of British Columbia

and the Territories, the obstacles to intercourse were greater even than the increased distances, and for all communication and intercourse we were dependent upon foreign railways, foreign hotels, and foreign conveyances. For fifteen or sixteen years we have been paying tribute to a foreign but a friendly power for all intercourse westward. To-day the iron rail, leaving the waters of the Atlantic, goes westward and westward until it touches the waters of the Pacific Ocean, and gives us an unbroken highway from the extreme east to the extreme west; so that we shall from this time be able to pass to and fro thereon without being reminded, as hitherto, by a foreign flag and a foreign Custom house that we were dependent upon a foreign people for our intercourse. The year 1836 will be in all future Canadian history a red-letter year, as being the year in which we obtained our national, our geographical independence; the year in which a highway to pass for pleasure or profit, in peace or in trouble, was opened to us throughout our whole territory. Something more than thirty years ago, the public men of Nova Scotia were busy discussing the propriety of commencing the construction of what is now a portion of the Intercolonial Railway, and a link in this great highway, and the men who were then discussing it, the men who were most earnest in the matter, said to us that the importance and value of this road would grow in the public estimation of the people of Nova Scotia, and in the estimation of the people of all the Provinces, that it would be commenced and would go westward until it would eventually reach the waters of the Pacific Ocean; and we were told that many of those who were taking part in the discussion would live to hear the scream of the locomotive in the Rocky Mountains. Sir, that prediction has been realised, and, if all, or if even in part the other predictions respecting the great value and importance of this work, in binding together the several Provinces, in

strengthening and maintaining British interests upon this continent and developing the great resources of this country, and drawing to us a share of the trade of the millions of people who swarm the islands and the countries lying beyond our western terminus, are realised, then the men who grappled with and carried out this mighty undertaking will be regarded as benefactors of this country and will receive the respect and gratitude of all true Canadians. And, Mr. Speaker, I may add that our right hon. leader, who has labored so diligently and so successfully in carrying forward this work, who, while not unmindful of the interests of the older Provinces, never lost sight of this undertaking, although often assailed by the opposition of gentlemen opposite, and sometimes met by the fears and doubts of his friends, yet never lost sight of this work, but labored faithfully, zealously and intelligently to complete it, and bind together and make one people all who dwell beneath the British flag on this continent, and strengthen and maintain British institutions—if those predictions shall be in any part realised, he will have the highest reward that can come to the greatest statesman, the satisfaction of knowing, of believing, of seeing, that he has wrought a great advantage for his country. Sir, I believe that those predictions will be largely realised, and that a great future lies before us. But I must not detain the House to speak of that future. I was contrasting for a moment, in passing, the past with the present, the condition of things in 1867 with the condition in 1883. And, Sir, it is not alone, in the increased area, nor in the improved means of inter-communication which we now have, but the change is most marked in the great improvement in the condition of the vast body of the people. Measured by every standard that tests the condition of a people, we see that they have made great progress, by the accumulations in our savings and our commercial banks, by the traffic upon our railways

and upon our waters, by the growth of our towns and cities, by the private and public buildings which adorn them, by the comfortable homes of our rural population, by churches and schools, and all the varied avocations in which men are engaged, and which mark the growth, the progress, the wealth and happiness of the people. Sir, in speaking thus, and expressing gratification at the growth of the Dominion, I do not forget my experience in the past with some minds narrow by nature or by prejudice, who will say that it is, perhaps, not in good taste in a Nova Scotian, not in good taste in me, particularly, to express this gratification. Sir, I desire a word of personal explanation, and I am moved the more thereto by the fact that the leader of the Opposition, when nothing else could be found to occupy his great mind at the opening of this Session, directed my attention, when I should occupy this place to-day, to the position I occupied in 1867. It is true that Nova Scotia was opposed to Confederation, but mainly owing to the financial terms then proposed; it is true that I joined in that opposition, but when the act was passed I took the earliest opportunity to define my position as a candidate for this House. Addressing a large public meeting of my constituents, I said—and, if I remember rightly, my remarks were reported by the gentleman who occupies the chief place at the Table of this House—I said: The Act of Confederation has become law, it is the Act of the British Empire, and no power that we possess can void it. We shall live under it, we shall test its working, and if I am elected as your representative in the House of Commons, believing that the terms on which we are admitted are unfair to Nova Scotia and may be amended, I shall labor to have them amended, and I shall join those who will endeavor to promote the best interests of the whole country at large. In substance, that was my

pledge to the people of my county; and when I came here my utterances were in that direction, to have a modification of the terms on which Nova Scotia was admitted. And, Sir, to-day I stand with that pledge redeemed, with having aided to secure better terms for my little Province down by the sea, and in having joined with those who were giving, and have given their best energies to the development and progress of the whole country. And with that pledge redeemed I feel as free to express proud satisfaction at the progress of our common country, as the most ardent Confederate of 1867. Now, Mr. Speaker, having detained the House with this introduction, I desire to invite attention to the Public Accounts which were submitted to the House some days ago, and which, I have no doubt, have been examined by hon. gentlemen present. Permit me, Sir, to direct attention to several points which seem to call for consideration. And first, dealing with the receipts of 1885, it will be noted that the late Finance Minister, in his Budget speech, placed the revenue likely to be received at \$33,000,000, including in that amount the sum of \$500,000 estimated receipts from the sale of Dominion lands. The actual amount received from the several sources came to \$33,190,613, of which the amount from Dominion lands was \$393,618, the excess over the estimate being \$190,619. Many of the items in the receipts and in the estimates approach each other very closely. For instance, the Post Office revenue was estimated to produce \$1,900,000; it did produce \$1,841,372. The revenue from Public Works, including Railways and Canals, was estimated at \$3,000,000; it did produce \$3,065,000. The interest on investments was estimated to produce \$1,900,000; it produced \$1,997,000. Miscellaneous revenues brought in altogether \$605,538, against an estimated amount of \$800,000. Dominion lands produced but \$393,618. The interruption of the receipts from that source was caused by the

troubles in the North-West, on account of which the receipts from that source almost ceased, and reduced the amount below the estimated receipts of \$500,000. Then there are the receipts from Customs and Excise. When Sir Leonard Tilley made his Budget speech about this time last year, he estimated the Customs to produce \$19,000,000; they did produce \$18,935,426, being \$64,574 short of the estimate. If hon. gentlemen have referred to the Trade and Navigation Returns they will have seen that the greater portions of the goods entered for duty in the Dominion during the past year were fully up to the estimates. The main falling off was in articles that are being manufactured in the country, manufactures of cotton and woollen goods, of iron and steel and the products thereof. The duties upon those articles was \$2,167,229.34 in 1884, and the amount realised in 1885, \$1,606,510. As hon. gentlemen will see, there was a large falling off in the receipts from those sources in consequence of our manufactories being able to furnish a larger portion of the goods required for the wants of the people. The receipts from Customs will, no doubt, constitute the items which will receive most attention from hon. gentlemen opposite and all who are opposed to the National Policy, and who desire to preach and put in practice the doctrine of Free Trade so far as is possible in this country. I may, therefore, be permitted to make a few observations on this subject before passing to other matters. The sum of \$18,935,426 from Customs last year was collected on a gross importation for home consumption of \$102,710,109, being 18.43 per cent. under the National Policy tariff. Comparison has been made on many occasions between the taxation of the Dominion and the taxation of the United States, and the results of the tariff in the Dominion and the results in the United States. It is, however, shown from the returns of 1835 in the United States that the percentage of taxation upon imports into that country was 31.45, or

over 13 per cent. more than the charge under our National Policy. It is not so much with the United States tariff, but with the tariff of 1878 that we shall be criticised. The tariff of 1878 is entered in our books as showing a taxation of 14.03 per cent. upon a total importation of \$91,199,577, and that shows a difference of over 4 per cent. in the result of the working of the tariff as at present arranged and the tariff which hon. gentlemen applied in 1878. Now, even 4 per cent. of a difference of taxation is, perhaps, a considerable one; but it would not warrant all the condemnation which hon. gentlemen have been pleased to shower upon it, but it is not. The Customs receipts for 1878 were \$12,795,693, being, as I have said, 14.03 upon an importation of \$91,199,577. The larger you have the importations for a given sum received the smaller is the percentage, and you have to look at the imports and compare those of 1878 with those of 1885, to reach a fair comparison of the amount of taxation imposed by the respective tariffs. In 1878, it will be remembered, breadstuffs were imported free into the Dominion, and all that passed through any part of the Dominion, by Grand Trunk Railway or otherwise, to the seaboard, for shipment abroad, was called an importation for home consumption. In that year the amount of imports of breadstuffs was \$13,452,460—in other words, 14½ per cent. of the whole imports of that year was in breadstuffs, not in necessary imports, not in compulsory importations for the consumption of the people, but a large portion on the way to the seaboard for shipment to other countries; and yet, being free, they were called importations for home consumption, although they only passed through the country. This amount, added to the necessary importations we were compelled to make, increased the amount given as importations; and when the duty in that year

is taken over the whole amount thus increased, it shows to the advantage of the tariff of 1878. Take out that amount over thirteen millions on breadstuffs, free, and you have \$77,747,117 left as the necessary importations of that year, upon which \$12,795,693 was collected, which brings the percentage up to 16.45 per cent., less than 2 per cent. of the taxation of 1885. If you look at the imports of 1885 and the collections thereon you will find that the increase of taxation is not on the necessities of life, not on what is consumed by the poor man, and not what will justify hon. gentlemen opposite in saying that the National Policy tariff is grinding down the poor man, and driving him out of the country. It is not necessary, Mr. Speaker, that I should detain the House with a very close analysis of the importations of 1885; but I may take up two or three special lines, and show that the increase of revenue and increase of taxation do not result largely from impositions on the laboring classes. In 1885 we collected on silks and velvets, \$1,029,657. In 1878 we only collected \$539,931, an increase of \$489,676; and that leaves as much silk and velvet for the poor man in 1885 as was imported in 1878. On spirits and wines we had an increase of \$642,100; on jewellery, gold and silverware, \$156,728. Now, here are three classes of goods which are considered as luxuries, on which we collected an excess over the amount collected for 1878, of \$1,279,504. Now, if you take this from the gross revenue received from Customs, it leaves \$17,653,924, which would make a fairer comparison with the receipts from the importations of 1878; and when you do that, Sir, you bring the taxation down to less than three-quarters of 1 per cent. over the taxation of 1878. And I am sure, Sir, that if the investigation were pursued further, we should be able to show, having no duties on tea and coffee, and many other things which are largely consumed by the poor man, that the tariff under which we

are operating and under which we have collected this revenue, bears much more lightly upon the working classes and upon the middle classes than did the tariff of 1878. Hon. gentlemen have been wont to exclaim against the tariff under which we are operating at present, because it is called a protective tariff. But, if we take the free trade tariff of England, we find that it is more grinding and bears more hardly upon the poor man and the laboring classes than it does upon the rich. Of the \$96,000,000 that are collected for Customs duties in England, a celebrated statistician, Mulhall, places the proportion paid by the laboring classes at \$56,000,000; the rich, \$6,000,000; and the middle classes, \$34,000,000; or, in other words, there is paid by the laboring classes more than 56 per cent. of the whole collection of Customs revenue in that free trade country of England. So we see that a free trade tariff is not necessarily light upon the middle classes nor the poor man. And, Sir, I say that if I were to pursue the analysis of our importations, I would be able to show that our tariff is especially framed to bear lightly in its taxation upon the poorer classes; and, moreover, Sir, we know that the result of the working of that tariff has been to give the poor man and the laboring man employment. It has given him that employment which keeps poverty almost out of the country, and that is the object that any tariff—that any Government framing a tariff should have in view—to give employment to the people at large, and to bear lightly upon the laboring classes of the community. And the result of this tariff has been, Sir, that we have been giving employment to the laboring classes, and we are able, from the condition of our manufactures, to feed and clothe the workingman for work-day and holiday; and to put in his hands the implements by which he earns his living at lower prices than they were imported into the country under the tariff of 1878.

The receipts from Excise have been \$6,449,101 as against an estimate of \$5,500,000. The large increase in the Excise is to be accounted for by the fact that distillers and others forestalled the changes that were made in the revenue and entered large quantities of their goods. The receipts from Post Office, Railways and Canals, interest on assets, and miscellaneous sources, including Dominion lands, amounted to \$7,806,089, showing a marked and gratifying increase since 1879 amounting to 88.3 per cent., or \$3,565,321. It will be noticed that I have included in that amount the receipts from Dominion lands. During the five years that hon. gentlemen opposite held the Government, all the receipts from Dominion lands were taken and counted as part of the revenue, and my hon. friend and predecessor, Sir Leonard Tilley, followed the same course up to 1881, placing them as part of the receipts from consolidated revenue account. From 1881 to 1885, Sir Leonard seems to have placed them to capital account. I suppose the reason will be found in the fact that he had a large surplus each year during that period, and it was immaterial whether they should be placed to capital or to revenue account. But, Sir, I think the House will agree with me that as we have made large expenditures in the North-West in opening up the country by railway, and incurred a large debt for that purpose, as we have made large expenditures in surveys in the North-West, for Mounted Police, and in Indian treaties, incurring large liabilities, it is but right that whatever revenue or return we should have from the lands in the North-West, should be placed to revenue account to meet the interest that we are paying on the expenditures, and the sinking fund that we are providing in order to pay off that indebtedness. I think the House will agree with me that we should do that instead of increasing the taxation of the country. Should we receive from the lands in the North-West a larger sum in any one

year than would meet the sinking fund which we have to provide towards the payment of our indebtedness there, and the interest upon our indebtedness for that expenditure, then it might very well be placed to capital account, but until that point is reached, I think we are justified in placing it, as hon. gentlemen opposite did, and as Sir Leonard Tilley did till 1881, to revenue account, and I have therefore proposed for the present and future to deal with it in that manner, calling it and using it as so much revenue, instead of increasing the taxation in order to meet our wants. The amount received from Dominion lands, as I have already stated, during the year 1885, was \$393,618, making the total receipts for the year on consolidated revenue account, \$33,190,619, against which there is the year's expenditure. This is of two classes—the ordinary expenditure, contemplated by Sir Leonard Tilley when he made his estimates, and the exceptional expenditure, caused by the unfortunate outbreak in the North-West. We may, I think, consider them separately. Dealing first with the expenditure in the North-West, caused by the outbreak, I find that there was paid through the Department of Militia and Defence the sum of \$1,697,851, and by the Comptroller of Mounted Police, \$93,950. There has also been an increase in the Indian expenditure, resulting from the outbreak, of \$82,375. The two first items together amount to \$1,791,831. This sum, deducted from the gross expenditure, as given in the Public Accounts, of \$35,037,060, leaves the sum of \$33,345,233, as against the receipts of \$33,190,619, showing, by taking out only the expenditure on the Mounted Police and on Militia and Defence, a deficit of \$54,634; but if you take out the additional Indian expenditure of \$82,375, you have a small surplus of \$27,741. I may say here that the additional receipts from Excise have reduced the amount of the deficiency for the year 1885, and have increased the deficit which we

anticipate for 1886. Taking the receipts, and crediting them all to the year 1885, it will be seen that on the ordinary expenditure, exclusive of the expenditure caused by the trouble in the North-West, the accounts about balance each other; but as it will be seen later, that we anticipate a deficit, exclusive of the expenditure in the North-West, for the year 1886, I think it would be but fair that the over-expenditure for 1886 should be divided between the two years, 1885 and 1886, because a portion of the Excise revenue due in 1886 was anticipated and paid in 1885. The expenditure, it will be seen by the accounts submitted, differs in some respects from the estimates Sir Leonard Tilley made. The charges of management were increased \$63,518; the sinking fund, \$365,416; the premium on discount and exchange, \$108,988; public works, \$77,848; and miscellaneous, \$76,109. On other items there has been a decrease—On civil government, \$37,186; on legislation, \$33,845; on census, \$24,941; on railways and canals, \$48,073; on mail subsidies, \$125,194; and on Liquor License Act, \$57,770. The first item of over-expenditure I may refer to is the charges of management, of which the chief part arises from the commutation of the stamp duty on the 3½ per cent. loan of 1884. The difference in the sinking fund is made up of two items—a half year's sinking fund investment in the Consolidated Canadian 5 per cent. loan, which was not estimated for on account of its falling due on the 1st of January, 1885, and a half year's sinking fund investment on the Dominion Loan of 1884, which was not floated when the estimates were made up. I suppose Sir Leonard Tilley intended to take up the 5 per cent. loan altogether, and re-issue without a sinking fund. As the House is aware, he converted that into a 4 per cent. loan, leaving the sinking fund. The premium on discount and exchange arises almost entirely from the discount on the gold we brought to the country in connection

with the loan contracted in 1885. On ocean and river service there is an increase of \$19,276, caused by over-expenditure on the maintenance and repairs of steamers, and the outfit of a new steamer. On Indians the increased expenditure of \$82,375 was caused by the North-West troubles. On public works there is an increase of \$77,845, which was expended on works included in supplementary votes. The under-expenditures were as I have named. It may be, Mr. Speaker, and I have no doubt it is, to some hon. members on this side of the House, a disappointment that the Public Accounts for the year have not, as in past years, shown that large surplus which Sir Leonard Tilley was able, on a number of successive occasions, to announce to the House. It should be borne in mind that when the tariff was framed hon. gentlemen opposite said to us: "You will not get any revenue; you are expecting to manufacture in the country under your protective tariff the goods you now import." That was our expectation; but we knew at the same time that the increased activity given to trade would for many years necessitate our importing more largely than our manufactures would be able to supply, that our dependence for revenue would eventually have to be placed on articles of luxury, or on articles that were not grown or produced in the country, and would not be manufactured for a number of years, and that these would have to be held in reserve for revenue. Our manufactures, however, increased more rapidly than we anticipated; the employment of our people in factories has been larger than expected at the outset, and this is, perhaps, in some measure due to hon. gentlemen opposite. They, on every occasion, put before the country statements of the enormous receipts, dividends and profits manufacturers were receiving, and thereby induced, perhaps, a larger number to enter manufacturing than the circumstances of the country demanded for the

time; and, therefore, Sir, from the more rapid increase of manufactures than Sir Leonard Tilley counted upon, the revenue has not come up quite to his anticipations. I admit, Sir, that under ordinary circumstances it is desirable that the receipts and expenditure should be equalized, but in adopting a new policy, there is much difficulty in so regulating it and so estimating for the increase of home production, that it is difficult to make that harmony between receipts and expenditure which is always desirable. In the condition of our country, when we were requiring large expenditures on public works, there was no loss in having a pretty large surplus and devoting it to the completion of public works and the improvement of the country, as was done during the time we had these surpluses. They prevented the increase of our indebtedness by just so much, and tended to improve the credit of the country abroad, enabling us to receive money on better terms than if we had not been in the receipt of them. The fact that we have been increasing largely our manufactures is shown in the decreased imports of the articles in the manufacture of which we are mainly engaged. The importation of cotton and woollen goods, and of the manufactures of iron and steel, in 1878, amounted to \$22,367,000. When we started the National Policy and by protection gave employment to our own people in larger numbers, and when we were not in a position to produce sufficient goods, the demand called for, in 1882, \$33,588,158. In 1884, when our manufactures had increased, the importations fell to \$26,250,955, and in 1885 they dropped to \$22,369,720, or reached the point at which they stood in 1878. There is, perhaps, not a gentleman on either side of the House who will contend that the people have not been able to purchase more since then than they could in 1878; there is not one who will contend that more goods have not been consumed in the country than in 1878.

The cause of the decline is wholly due to the increased output of our manufactures. This is evident in the importations of raw material. The importation of raw cotton from 1874 to 1878, five years, aggregated 25,641,000 lbs. From 1881 to 1885 it ran up to 104,528,000 lbs., or more than quadruple that of the first period. In the same period the importation of wool increased by 15,439,124 lbs., and the exports decreased 6,627,563 lbs., or a difference, comparing the two periods, of 22,066,783 lbs. for manufacturing. In 1885, the last year, the whole export of wool was only \$196,178, showing that we are manufacturing almost all the wool production of the country, and are importing very much more of some particular grades that are required. So with respect to every article, the employment of raw material has largely increased. Take the article of pig iron. Its importation has more than doubled, in addition to the large quantity being manufactured in the country. Having referred to some of those minor items, I may be permitted to deal with some of the larger items of the Accounts of 1885. Hon. gentlemen have noticed that the largest item in the Accounts is that for interest. The charge for interest and management foots up \$9,652,123, and deducting from this the interest we have received upon our assets of \$1,997,034, there is a net charge for interest of \$7,655,089. Now this is a pretty large amount, and it requires us to go back and see what increase we have made to this since 1867. In 1867, the charge for interest and management was \$4,787,080, and the receipts from assets were \$126,419, leaving a net charge for interest in 1867 of \$4,660,661. The net increase from 1867 to 1885 is \$2,944,428. Now, it may be said, looking at all we have undertaken and accomplished, and all that was required to support our undertakings, we have only increased our expenditure under this head by \$2,294,428 over the

charge for 1867, and it will be remembered that we had to bear the charge in 1867 when we were only four Provinces with a population of 3,331,000. Now, when we embrace the whole Dominion, from the Atlantic to the Pacific, and have made large expenditures to develop this country, it is easily seen that, without this, we could not have accomplished what we did. It required labor and money to dig canals and improve the navigation of rivers and lakes; it required large expenditure of money to build wharves and piers, to erect harbors of refuge along our coasts, and to dot our coasts and lakes with lighthouses to facilitate navigation and connect us with the commerce of the world. It required money to construct railways. Without it we could not have cut down hills, filled up valleys, and spanned rivers; we could not have laid the iron rail from city to city, from town to town, as we have done all over the Dominion. We could not have sent the iron horse over the broad prairie nor cut a pathway through the Rockies, for him to take the traveller down through the pleasant valleys and into the beautiful clime of British Columbia, if the hon. member for West Durham (Mr. Blake) will allow me to apply the term beautiful to that Province. We have done all this; but to do it all, it was necessary that there should be large expenditure and that our indebtedness should be increased, and the result is that we paid, to the 30th June, 1885, \$2,994,428 more than we paid in 1867. But I want the House to bear in mind that the population in 1867 was 3,331,000, that the total interest paid in 1867 was \$4,660,661, after deducting the interest received on assets. That makes a *per capita* charge on the population of \$1.39 $\frac{1}{2}$ per head. In 1885, we paid \$7,663,089 on a population which I should be disposed to estimate at 4,800,000, but I presume the hon. gentleman will question that, and I shall take off 100,000 to meet his views, in order that there may be no discussion upon

this point; and on a population of 4,700,000 we paid \$1.63 in 1835, making a difference in interest paid in 1885 and that paid in 1867 of only 23 and one-tenth cents per head of the population; and I am sure, when we look at all that has been undertaken and accomplished, and when we look at the condition of the people, those of us who remember 1867 and those who know anything of the condition of the people at present will say that they are better able to pay a taxation for interest of \$1.63 per head now than they were to pay \$1.39 in 1867. I am disposed to pursue this a little further. A speech was delivered by the hon. the leader of the Opposition, a celebrated speech, a speech which attracted the attention of the whole Dominion, and indeed, the attention of other countries; a speech which may be considered so important that the greatest care should have been taken in its utterances. The hon. gentleman on that occasion stated that we had increased the burden of interest and of indebtedness beyond the wildest conjecture of 1873 or 1882. I think it necessary to pursue this matter a little further, and see whether we are amenable to the charge of having increased the burden of interest since 1873. When the hon. gentleman assumed office in 1873, the charge for interest in the financial year 1873-74 was \$5,161,577. When they left office, five years after, the charge for interest in the year 1878-79 was \$6,687,794, an increase of \$1,526,217; or an average increase per year of \$305,244. In the financial year ending June 30th, 1885, the net charge for interest was \$7,655,089. Take from this the interest upon the public debt in the year when they left office, \$6,687,794, and we have \$967,295 as the net increase in seven years, or an average increase of \$127,182 a year as against \$305,244 during the period that those hon. gentlemen held office. I do not think that, if the hon. member for West Durham (Mr. Blake) had looked at the figures and had seen that when his friends were in office and he himself was aiding them,

the rate of increase had been 238 per cent, faster than it was from 1873 to 1885, he would not have, upon so important an occasion, announced to the world that we were increasing the burdens of interest beyond the wildest imagination of 1873. But let me treat this in another way. In 1878-79 the interest per head of the population, taking it at 4,125,366, was \$1.60 $\frac{1}{2}$; in 1885, on a population of 4,700,000, it is \$1.63 per head of the population, or actually 3 $\frac{1}{2}$ cents per head less in 1885 than it was in 1878, when those hon. gentlemen left office. And yet the leader of the Opposition announces that we are increasing the burdens of the population beyond the wildest imagination of any man in 1873. I do not say the amount of our indebtedness is less than it was in 1873-79. Oh, no. But I say that the credit of the country has been so improved by wise legislation, by wise administration and by the systematic and proper expenditure of the money that has been borrowed, that we have reduced the rates at which capital has been procured. Capital demands from the borrower that the security shall be good, capital demands that the purposes to which the money is to be applied shall tend to the improvement of the security, and that the person seeking the loan shall have, under ordinary circumstances, the wisdom properly to apply that money to improve the security. When a country seeks to borrow, capital exacts the same conditions as from a private borrower. The hon. member for South Huron (Sir Richard Cartwright) seemed to be fully impressed with this on the first occasion on which he went to England to borrow money. He then issued a prospectus, which has become, I may say, famous in Canadian history. He described the condition of the country as he received it from the hands of his predecessors. He enumerated in that prospectus the successive, the continuous surpluses that had been given each year from 1867 downwards. He enumerated the various public works

which had been undertaken, which had been carried forward, and which would yield a large revenue to the country, and would enable the country to pay the money that might be borrowed for the completion of those works. The hon. gentleman knew the value of having the country well represented, and he knew that it was well to make a favorable impression upon the minds of capitalists, and to prepare them for accepting the lowest possible rates for their money. But the hon. gentleman, Sir, contrary to the usual practice, contrary to what I would have expected on that occasion, did not test the market, he did not try how far the advantages that he set forth in his prospectus would affect the money market, and would improve the rate at which he might receive it. He praised the country, spoke of the condition of the country as being prosperous, and of the purposes for which the money would be applied as tending to increase the revenue and make the country better able to pay the indebtedness upon maturity. But, as I said, he did not test the effect which that might have had upon the public mind, but named himself the price at which he would be willing to dispose of the bonds, fixing the price at the very lowest possible rate. Now, Mr. Speaker, what I meant to say was that we have been able so to improve the condition of the country and our credit abroad, that we have exchanged bonds bearing a high rate of interest for bonds bearing lower rates of interest and at the best prices, and thus reduced the taxation necessary to be placed upon the country in order to meet our indebtedness. It is not that our indebtedness, on the whole, has diminished; it is because we have been able, from the improved credit of the country, to make this exchange, and, notwithstanding that, we have assumed all the debts of the various Provinces that have been admitted between 1873 and 1884, amounting to \$27,630,038. Add to this the expenditure for the Intercolonial and canals and other necessary public works. And after all,

the taxation on the people of the country, in 1885, is $3\frac{1}{2}$ cts. less per head than it was in 1878. The hon. gentleman will, perhaps, claim that it was from the changed condition of the money market that this was largely due. I find, from a statement published by Mr. Giffen, statistician to the English Board of Trade, the rates of interest and the average rates of discount charged by the Bank of England, in quinquennial periods, from 1875 to 1879, the lowest rate of discount was 2 per cent. and the highest $5\frac{1}{2}$. The average between those two years was $3\frac{3}{8}$; the average between 1880 and 1884 was $3\frac{1}{8}$, and the lowest was about 2 per cent. The highest in the five years was $5\frac{1}{8}$. In January, 1885, it was 4 per cent.; in March, $3\frac{1}{2}$; in May, 3, on May 14th, $2\frac{1}{2}$; June, 2; November 12th, 3 per cent. The hon. gentleman will see by this that from 1875 upwards the rates of discount in the Bank of England ranged from 2 to 5 per cent., and is very little less now. I have here a statement prepared by the Financial Agents at the time that Sir Leonard negotiated his loan, showing that the Canadian loan was more approved, that it commanded a higher rate upon the English market, than those of Victoria, Queensland, New Zealand and South Australia. The importance of standing well with the money markets of England cannot be over-estimated. It can only be seen when we look at the results. If we are able to go to the money market of England and place a loan at par, if we can sell a hundred dollar bond for \$100 in cash, it is a great deal better for us than if we could only be able to bring back \$88, or something thereabouts, as the hon. gentleman opposite did in 1874. Now, to illustrate the importance of this matter, I desire to call attention to the results. Take the unguaranteed loan of 1874, which was placed upon the market by the hon. gentleman opposite, and the unguaranteed loan of 1876. These two loans amounted to \$31,633,333, and the money that he netted for them and brought back to Canada was

only \$23,064,770, showing a loss of \$3,363,563, or about 11.23 per cent. The loan of 1885, converted to 4 per cent., was for \$31,356,595, a sum just about equal to the two sums the hon. gentleman placed upon the English market in 1874 and 1876. This sum netted \$30,930,651, showing a loss of only \$425,944, or about 1.36 as against 11.23 on the hon. gentleman's two loans. The loans of 1874 and the loan of 1885 that Sir Leonard Tilley placed last summer were for the same amount, \$19,466,666. The loss on the former was \$2,208,329, or 11.34 per cent.; on the latter, \$140,443, or about $\frac{7}{10}$ of 1 per cent. So the House will be able to see that a great deal depends upon keeping the credit of the country in the money market well established, that our credit should stand high when we have occasion to borrow money—but I hope that our days of borrowing are pretty well over. Now, I suppose reference will be made by hon. gentlemen opposite to the condition of the United States. In undertaking public works we have to consider the amount of interest, the present burden, that they impose upon us for interest, and we have to look at the result of that work, and see what it will yield to the country, how it will effect the future, and whether the expenditure will enable posterity to meet the burden of payment. We have improved the condition of the country, its credit, and the rate of interest has not been unduly burdensome. We believe that the return from the public works we have undertaken to carry to completion will enable our posterity to pay the indebtedness without its being unduly felt by them. The United States in 1865 emerged from the greatest civil war of history and with an enormous amount of indebtedness. Many a time during that struggle, men were hoard to say that the country would be ruined, and they were advised to stop in their expenditure and in their efforts to maintain the Union. But they went on, they succeeded, and when they emerged from

that war they had a debt of \$2,773,000,000, all at high rates of interest. They had a depreciated currency and their bills were selling that year at not more than 40 or 50 cents on the dollar. But they had preserved the Union; they had a large quantity of fertile prairie in the newer territories; they had a policy of protection for home industries which gave employment at wages which drew from all parts of the world population to them. In fourteen years after they emerged from that struggle their paper money was at par; they had resumed specie payments, and they have gone on reducing their indebtedness, and the burden of that indebtedness and of reducing it is not felt by the people of the United States. And so it is with us. We are just emerging from a great war against the obstacles of nature, a successful, a triumphant war, and we have removed all those obstacles and made our country one; and the same result will follow. We have created public works which will be more important factors in enabling us to redeem our indebtedness than were to the United States the honored graves of the men who fell on their battle-fields. We have for our indebtedness visible public property to represent it. When we went into Confederation in 1867 our indebtedness was \$73,728,611. On the admission of Prince Edward Island and British Columbia it was increased by the debts of those Provinces and by the allowance to Manitoba, and in 1874 and 1884 additional allowances were made to all the Provinces by the assumption of the debt that was left with Ontario and Quebec. The whole of these increases amount to \$27,630,058, making a total indebtedness for that of 1867 and the additions to the Provinces, \$103,358,699. On 30th June the net indebtedness reached \$196,407,692, or a net increase on public works and expenditures of \$93,048,993. This is a pretty large sum and it involves the payment of a pretty large amount for interest; but, as I have shown, and as I believe, it is not

unduly burdensome, considering the condition of the people and the purposes to which it was expended. But, Mr. Speaker, it occurs to me that the ex-Finance Minister will not very much complain of this increase of indebtedness, at all events, of the amount that has been expended on public works. It will be in the recollection of the House that in 1874, on the delivery of his first Budget speech, he contemplated large undertakings, and proposed to increase the public indebtedness by the sum of \$11,000,000. It will also be in the recollection of the House that he asked Parliament to increase the taxation of the country to the extent of \$3,000,000 to meet payments for interest on the accumulated indebtedness which he had in view. That sum of \$3,000,000 would have permitted him to have borrowed something like \$75,000,000 at 4 per cent. without any sinking fund. And it will also be in the remembrance of the House that up to the day the hon. gentleman took office we had had very considerable surpluses, and the addition to the revenue and the surplus that existed at the time of this taking office would have paid interest on a very large expenditure for public works. At the close of the financial year 1873-74, on which he assumed office, the net debt amounted to \$108,324,965. On 30th June, 1878-9, it amounted to \$142,990,187, showing a net increase of \$34,665,222. But the House will understand that the indebtedness incurred by hon. gentlemen opposite was more than the amount I have just named by the amount of the fishery award which was paid in the financial year in which they left office, but after they went out of office, and this reduced the amount by \$4,480,882, so that the increase of indebtedness for the five years in which they were in office and for which they were responsible was \$30,156,104, or a yearly average increase of \$7,831,220. In order to make a comparison of the debt-creating proclivities of the two parties represented by the

present Government and hon. gentlemen opposite, I may be permitted to look at the figures for which we are responsible.

Mr. CHARLTON. You are responsible for all.

Mr. McLELLAN. The hon. gentleman says we are responsible for all. That is a matter which we are willing to discuss on any proper occasion. I may say that the ex-Finance Minister in his first year did not evince any hesitation in increasing the indebtedness. I have shown that he came down to the House and asked to be allowed to increase the indebtedness in one year by \$11,000,000, more than, I think, had been attempted up to that period. The increase of indebtedness from 1867 to 1885, exclusive of the allowances to Provinces, was \$33,018,483; and the hon. gentlemen opposite are accountable for \$39,156,104, leaving \$53,892,839 as the net increase chargeable to our right hon. leader for the thirteen years of his administration, showing an average increase of \$4,145,156 as against an average increase of \$7,831,220 by hon. gentlemen opposite. The hon. member for North Norfolk (Mr. Charlton) says we are responsible for it all, but he will find that by a comparison of the figures that when he and his friends were in power they increased the debt by \$7,831,220 a year, while we on this side have, in the thirteen years, only increased it \$4,145,156. Perhaps the hon. gentleman will say that I should not have deducted from this amount the \$27,630,000 allowed to the old and to the new Provinces. But I take that out because the Provinces of Prince Edward Island and British Columbia, when they came in, had debts upon them, and it was merely a transfer of indebtedness to the Dominion. The Provinces of Ontario and Quebec having been relieved of their indebtedness, all the other Provinces received a proportionate amount in order to enable them to meet their local requirements. But while I do not say that we should be charged for that \$27,630,000 which came from the

Provinces, I do not pretend to charge it to hon. gentlemen opposite. They are, Sir, not guilty of incurring any public indebtedness for any of the Provinces. They never gave a dollar to one of the Provinces to increase their funds for local requirements, nor added a Province to the Dominion; every acre of territory that has been added to the Dominion at large, and every dollar that has been provided for the local funds of the Provinces, has been paid by our right hon. leader and his party from 1867 down to the present time. Now, Sir, I have stated that, apart from the original indebtedness of the Provinces in 1867, and apart from what we have added for the Provinces admitted, and assumed from the older Provinces, that the increase of indebtedness to 1885 has been \$93,048,000. This is represented by railways, by canals, and by public buildings, in all amounting to \$142,550,875. So that taking the purposes outside and apart from the admission of the new Provinces, and the additions that we have made to the revenues of the older Provinces, we have increased the public debt \$93,048,000, and have expended on public works \$142,550,875. So, in addition to the increase of debt, we have expended \$49,501,882 paid from annual revenue, showing a large margin of property which is held by the Dominion over and above its indebtedness to the public. The next item, Sir, in the Public Accounts of any magnitude, is sinking fund, which has now reached a very large sum, which was last year \$1,482,051, the accumulations amounting to \$15,885,000 as available for the redemption of the public indebtedness. I come now to another large item in the Public Accounts, and I am disposed to ask the House to bear with me a little, because I find in respect to this item that there has been a great change, or there has been a new manifestation of opinion—I do not say of public opinion, but of party opinion—in respect to that item. We saw it announced last autumn that a convention of the

Liberal party was to be held in the city of Toronto. That convention was held, and it was spoken of by the organ of the party as being a large and representative convention. I turn to the *Globe* of the 16th of September, and I find an editorial headed as follows:—

"Young Liberals—Getting fairly down to work.—The work of the day—Resolutions adopted by the convention—Hon. E. Blake elected Hon. President."

That article said:

"The most sanguine hopes of the young men who originated the idea of a Convention of Young Liberals from all parts of the Province, and who have for the past few months been working to promote the movement throughout the country, were far exceeded yesterday morning as groups after groups of members presented themselves at the doors of Shaftesbury Hall to attend the convention. The observer could not fail to notice the alert, active bearing of the delegates, and their general look of keen intelligence. It may be said without offensiveness toward any other gathering that there never before has been in Toronto or probably in the Dominion an assemblage pervaded by a more thoroughly Canadian air. While there was plenty of life, there was little boisterousness, and while the utmost good humor and courtesy prevailed, there was manifested a most business-like intolerance of anything that seemed to tend toward sectionalism, hobby-riding, or the indulgence in fads of any kind. All appeared to fully realise that they were not here for mere amusement or child's play, but to discuss soberly and conscientiously the political situation of the country."

Now, with such an announcement as this, and with the description of such an assemblage as this, I think it but right that its doings should receive some consideration at the hands of the country and of myself on this occasion. On the following day the same paper said:

"The young Liberal Convention resumed session at 9 o'clock this morning, the newly elected president, Mr. A. F. McIntyre, in the chair. The delegates were punctual and the attendance larger than the previous day."

In the *Globe* of the preceding day, the names of a large number of gentlemen are given. I do not know many of them, but I happen to know the president, Mr. McIntyre, and I am sure he is not engaged in anything like hobby-

riding or fads of any kind, and I take it this means serious business. I find the *Globe* of the following day announcing as follows:—

"The Liberal Convention, which closed its meetings on Wednesday, was all which its most sanguine friends could have wished it to be. The attendance was large and thoroughly representative; the speaking exceptionally good; the orderliness and business tact displayed such as the most fastidious could not object to; while the most absolute freedom of discussion was maintained throughout. Motions were only voted down after those in their favor had been fully heard. However much any of the speakers might be out of accord with the general sentiment and feeling of the meeting, they still received patient and courteous attention to the close, and while their arguments and utterances were treated with perfect frankness, there was no attempt made either unduly to weaken the force of these or to belittle their importance.

"Nothing was more conspicuous throughout than the uniform good temper displayed, as well as the readiness with which the points were taken, and the frank cordiality with which, as far as possible, concessions were acquiesced in, and a full yet moderate and soundly Liberal programme agreed upon. There was little or no crankiness; no settled determination to ride hobbies;—

You see that on the first day it was announced that no hobbies were to be ridden, and that at the close it was stated that no hobbies had been ridden.

"no persistent effort to carry at all hazards any particular or personal fad; no resolution to lead; no apparent desire, even, to shine. It was a business meeting, and was accordingly conducted in a practical, business-like style.

"To say that it was 'captured' by any clique or coterie whatever would be absurdly out of accordance with facts. The convention would neither stultify nor compromise itself by going further than the majority of its members approved of, or by stopping short of what that majority believed to be indispensable. If once or twice the tail sought to shake the dog, the dog simply refused to be shaken, and the tail then accepted the situation and subsided, if it did not perhaps altogether acquiesce."

Now, I find that the sentiments of that convention were participated in by the Club National of Montreal, which sent this:

"The Club National, Montreal, sends greetings, and wishes success to your movement. Let your platform be a broad one. Our aspirations are alike. They may to-day alarm many because of their boldness, but ideas ripen as quick as men, and with pluck and energy we may live to harvest what we sow in the political field.—R. DANDRARD, President."

To this the president of the convention replied:

"The Young Men's Liberal Association of Ontario in convention assembled heartily accepts the fraternal greeting, good wishes and counsels of the Club National as conveyed by your telegram and Mayor Beaupré. We are trying to arrange for a Dominion Convention at Montreal, with a view to further the cause which you and we have so earnestly at heart. The platform we have adopted is practical and progressive, and our sentiments are largely in consonance with yours.—A. F. McINTYRE, President."

Now, Mr. Speaker, I have read one of these headings in which it was declared that the Hon. E. Blake, the leader of his party, was elected honorary president of that organization. I find that the hon. gentleman accepted the honor, and accepted the platform that was laid down there, and he took occasion to announce that in his celebrated speech at London. On that occasion Mr. Blake said:

"I thank you, from the bottom of my heart I thank you, for the warmth and cordiality of your reception. I know it to be far beyond any poor deserts of mine, but it is another and most marked expression of that continuous, abiding and unbounded kindness and confidence which has been showered on me by the Liberal party for these many years, and specially during those dark and trying times which have passed since I took the lead. Will you allow me to use this my earliest opportunity to congratulate the Liberals of Ontario on the activity they are now displaying, and particularly to express my joy at the energetic conduct and successful organization of the young Liberals—(cheers)—and my grateful thanks for the honor done me by my election to the honorary presidency of their great convention, a gathering from which I anticipate the best results."

The hon. leader of the Opposition there accepts the presidency of the organization formed at that convention, and accepts the platform adopted. I was under the impression, Sir, that there was but one opinion upon the matter to which I have referred among the whole people of this Dominion. I find that one of the resolutions—and I only deal with the one bearing on the matter I have now in hand—reads thus:

"Resolved, That this convention disapproves of the payment of subsidies out of the Dominion Treasury to the Provincial Legislatures, believing that the system of subsidies leads to extravagance on the part

of the Provincial Legislatures, because they have the power of expending money without the responsibility of imposing taxes; also, the subsidy system as carried out in Canada causes the bulk of the revenues to be collected by indirect taxation, whereas direct taxation is more just and more economical. Therefore, resolved that this convention approves of such a change in the British North America Act as shall provide that each Province of the Confederation shall collect as well as expend its own revenues."

Now, this is so important a proposition that I thought it desirable to call the attention of the House to the matter at this stage of my review of the accounts. We are now paying out to the several Provinces about \$4,000,000. The platform adopted by the Opposition gentlemen, and accepted by the leader of the Opposition, declares that it is unwise and unjust that we should continue the payment of these subsidies, and that the Provincial Legislatures should be taught to resort to direct taxation in order to raise the revenues they require, so that they may be taught economy in their expenditure. Now, I have no doubt this will greatly relieve hon. gentlemen opposite, should they ever come to power. The hon. member for South Huron (Sir Richard Cartwright) would find it a considerable relief to his estimates if he could have that plank of the Opposition platform adopted by the country, and could strike out of his estimates the \$4,000,000 that we now provide for subsidies. But until that time comes, and until the hon. gentleman can persuade the country to accept that doctrine and resort to direct taxation for local purposes, we shall have to provide in our Estimates for Provincial subsidies under the British North America Act, and, I think, for some considerable time we shall be called upon to do so. Therefore, Mr. Speaker, I have provided in the Estimates for 1886-87 for the payments of the subsidies to the Local Legislatures. Coming then to the expenditures for public works charged to revenue, they amount to \$2,302,362, for which, as I am sure hon. gentlemen who have seen the works constructed by that department, know we have value

and they were called for by the wants of the country. The post office has been for some years increasing the charges upon our revenue. In the opening up of the North-West, it was necessary that we should give postal accommodation to large districts from which there was very little return; but, notwithstanding we were called upon to make extraordinary expenses in furnishing additional accommodation, the receipts from the Post Office Department compare most favorably with those of preceding years. In 1884, there was a falling off of the revenue which has been made up by the returns of 1885; and so far in the present year, there seems to be a steady increase. I may be permitted, in this connection, to give a few statistics by way of comparison:—In 1878, we had 5,378 post offices; in 1885 we had 7,084, an increase of 1,706. The miles of post route in 1878 were 38,730, and, in 1885, 50,461; or an increase of 11,731. The letters sent in 1878 amounted to 44,000,000, and in 1885, 63,400,000, showing an increase of 24,400,000. The money order post offices in 1878 numbered 769, and in 1885, 895, an increase of 116. The amount of money orders issued in 1878 was \$7,130,893, and in 1885, \$10,584,210, an increase of \$3,253,315. There has been an increase in the letters sent of 24,400,000, or 55.45 per cent. between 1878 and 1885; and I find, on comparing our returns with the postal returns of older countries—with those of Great Britain, for instance—that our percentage of increase has been very much larger than the percentage in that country; as in 1878, the letters despatched in Great Britain were 1,058,000,000, and in 1885, 1,360,000,000, showing an increase of 302,000,000, or 28.54 per cent. against our increase of 55.45 per cent.; so that we have an increase nearly double that of Great Britain. The increase of the receipts and expenditures may be compared also. Our receipts in 1878 amounted to \$1,207,790, and in 1885 to \$1,841,372, an increase of \$633,582, or 52.46 per cent. Our

expenditure in 1878 amounted to \$1,724,933, and in 1885 to \$2,438,315, an increase of \$763,377, or 44.25 per cent. Thus our receipts from the Post Office since 1878 increased 52 per cent., while our expenditure increased only 44.25 per cent. Between 1874 and 1878 a similar comparison might be made. The receipts from 1874 to 1878 increased but 5.94 per cent., while the expenses increased 24.34 per cent., so that, although between 1874 and 1878 the expenditure showed a much greater percentage of increase than the receipts, the increase of receipts between 1878 and 1885 is much larger than the increase of expenditure. The increase of traffic on our railways and canals has also called for a very large expenditure, which tends to swell the volume of the estimates, without at all affecting the taxation of the country. I may be permitted to refer to the increase in the traffic at another time, but I say the large expenditure which we are called upon to make in the working of the Intercolonial Railway and of our canals, has tended to increase the volume of expenditure shown in the Public Accounts, without at all increasing the taxation of the country. Yet it has been attempted to convey the impression that all this increase of volume in the accounts is an increase in taxation. I have shown that the receipts from sources which are not taxation, have, since 1878, very largely increased, running from \$4,000,000 up to between \$7,000,000 and \$8,000,000. If we were to-morrow to take possession of all the telegraph lines in the country, and were to send messages at less rates than are now charged, the volume of our accounts would be largely increased, while there would, perhaps, be a gain to the people and consequently less taxation, owing to the reduced rates which we might charge for the messages. In this case as in the others, the volume of public expenditure might be largely increased, and it might with the same propriety be

misrepresented to show there was a large increase in the taxation of the country, although in reality there was a decrease. A great deal has been said on the hustings with reference to our position in 1867, and I have been reminded of the charge which has been so persistently and continuously made against us in connection with the increase of our expenditure from 1867 to 1885. It may not be unprofitable, then, to go back to 1867 and make some comparisons between the expenditure in that year of over \$13,000,000 and the expenditure of 1885; so that we may see wherein there has been an increase, and in what way, if any, we are amenable to the charge of having unduly increased the expenditure. I have pointed out that the receipts from Railways, public works and post offices, and other sources, none of which are taxation any more than would be the expenditure on telegraph lines, have nearly doubled since 1878, whilst from 1867 they have very nearly quadrupled. In 1867, the receipts were \$1,987,240, and in 1885 they were \$7,869,809, showing an increase in receipts of \$5,818,842, and the expenses have correspondingly increased. Now, the increases for working these services, I think, should be fairly taken out of the accounts before we institute the comparison. I have shown that the hon. gentlemen opposite are more chargeable with having increased the public indebtedness of the country than gentlemen on this side, and, at all events, if they are not, that we have good property and good value for the expenditure that we have made, and that therefore the charge for interest might also be eliminated from the accounts before we proceed with the comparison. Then there is the increase of subsidies to the Local Governments. We have brought in new Provinces, we have increased the subsidies that we have paid, and I do not think that that increase, at least, should be chargeable against us. We have added new territory, and we have been compelled to incur new expenses which

were not in the accounts of 1867—I mean expenses in the North-West. Now, if we take from the accounts all such expenses as I have referred to, we come down to the increases in the ordinary workings of Government, of which the hon. gentlemen have a right to complain if we have unduly increased them since 1867. First, dealing with the interest in its gross charge, and excluding the receipts, there is an increase in 1885 over 1867-8, without management, of \$4,917,914. On construction and repairs of public works there is an increase of \$2,423,300, and, as I have said, we have visible property for this, so that this may come out. The increase on the working expenses of railways and canals, which is not a charge to taxation, is \$2,840,745. The increase for the post office is \$1,871,513; subsidies to the new Provinces, \$1,205,360; the increase in the sinking fund, and discounts and exchange, is \$1,207,933; on immigration and quarantine, and on services in connection with the North-West Territory, \$717,836. The protection and the cultivation of fisheries and the payment of the fishing bounty is a new service, which, I assume, will be approved very generally by the House, and in that the increase is \$250,000. Then there are those services which are entirely new, the mounted police, Dominion lands, Indians in the North-West and in British Columbia, and the Government of the North-West, amounting to \$2,331,929. Then there is a charge of \$1,791,851 for the trouble in the North-West, in the accounts of 1855. Taking out these special items, of increases, from the accounts of 1885, we have left civil government, legislation, administration of justice, the maintenance of the penitentiaries, the collection of customs from Halifax to Victoria, the collection of excise, the militia and defence of the country, the maintenance of lights, buoys and fog alarms, marine hospitals, distressed seamen, steamboat and insurance inspection, pensions, management of the public debt,

and miscellaneous services in regard to all of which we might make a comparison with 1867; and in making this comparison it must be borne in mind that we are governing, we are legislating for, and administering justice to a country ten times larger than it was in 1867, that we are collecting twenty millions of revenue from Customs instead of eight, and six millions from Excise instead of three, and that all the other services are proportionately increased; and yet the figures show only an increase in the expenditure of a little over two millions of dollars in eighteen years. If you take the total expenditure of 1834-85, \$35,037,060, and deduct the increase upon the special service^a which I have named as proper to be taken out, \$19,469,658, you have left \$15,567,402; from which take the expenditure of 1867-68, \$13,486,092, and you have for eighteen years an increase upon all the services I have named of only \$2,081,310. And looking at the changes in the country, looking at the increased area and the increased business we have been doing, there is not a country in the world that has shown so little increase in all these matters connected with the civil government of the country as the Dominion of Canada has during that period. If we go to the United States we find that the expenditure in 1867 was \$31,110,224—that is exclusive of army, navy, pensions, war, Indians and the interest. In 1835 it had risen to \$37,494,000, an increase of \$36,000,000, without any increase of area at all such as we have. So, as I said, there is not, perhaps, in the history of the world, an instance in which a country has extended her operations so largely, has increased the responsibilities and duties of government so much, and has not increased her expenses more than the Dominion of Canada. I might take up any one of the services to which I have referred, and show what an enormous increase there has been in all the departments. I might be permitted, perhaps, to detain the House for a few moments,

in order to refer to the lighthouse and coast service, and to show the great increase there has been in that service, as an illustration of the increase in every department of the public service. In 1867 the member for Northumberland (Mr. Mitchell) took charge of the lighthouse and buoy service of the Dominion, and of the lights existing at Confederation. The number then was 227 lighthouses, and two fog alarms, and the expenditure was \$174,982. The hon. gentleman saw the importance of that service, and with that vigor of intellect and that energy for which he is so distinguished in this House or out of it, gave that energy and that vigor of intellect to the improvement of that service, and I am sure it could not have been better employed than in improving and facilitating the navigation of the country and in providing means to render life and property more secure than it was in 1867, when he took charge of it. When he went out in 1873-74, he had increased the lights to 384, and the fog alarms to eighteen—an increase of 157 lights in the comparatively short time during which he administered the department. The hon. gentleman had successors in Sir Albert Smith and the Hon. Mr. Pope, and, when they left office, the number of lights had increased to 553. When I took charge of the department, I supposed, looking at the large increase, that there would be no additions required, but the new services, the opening up of the country, and the increased shipping to all parts of it, called for additions even to the large number that had been already made. When I left that department, a few months ago, I left it with the number increased to 617, and with an expenditure of \$530,446. That expenditure, Sir, covered the construction of the lighthouses of the year, it covered the maintenance of the 617 lighthouses that were then in operation, all the buoy service, with the addition of the coast service, and the maintenance

of the different fog alarms that had largely been increased throughout the country. I only refer to this to illustrate the extent of the service that we are called upon to deal with in the government of the country. Notwithstanding, that the work has so largely increased, I have shown to the House that in the eighteen years, comparing 1867 with 1885, there has been an increase of slightly over two million dollars, which is unequalled, I say, in the history of any other country in the world; and I anticipate that in the eighteen years to come we shall not be called upon to make even so large an increase as this to the ordinary expenditure of government, because we shall not be increasing our area and adding new Provinces so largely as we have done.

It being six o'clock, the Speaker left the Chair.

After Recess.

Mr. McLELLAN. When the House rose at six o'clock, I was speaking of the expenditure as shown in the accounts of 1885. Without going back to that subject let me dwell for a moment upon the accounts of the current year 1885-86. The current year has been so far characterized by several disturbing elements to trade and revenue. We had in the early part of the year the North-West trouble, we had the effects of the anticipation of the revenue that had been made through Excise, we had the disturbance of trade which occurred in the city of Montreal, owing to the small pox epidemic which disturbed, to a large extent, and for a considerable time, the trade of that great commercial metropolis. All these things have had their effect on the trade of the country, and upon the revenues that were derived. At the present time, Sir, we stand fairly well. Taking up North-West expenditure and putting that aside, we had up to the 10th March, when the return was made, a total expenditure of \$25,958,481. Of this there has been charged

to the war expenses \$2,502,936, leaving as the ordinary expenditure \$23,455,545. The receipts from all sources up to the same date have been \$24,030,060, or a surplus at the present time, or up to the 20th of March, of \$574,515. That is very well as far as it goes, but we have very considerable expenditure to meet during the year in the shape of interest and other items, which I fear will not leave the balance at the end of the year at all so favorable. Looking at the expenditure of 1885-86, it will be seen that the detailed amounts of supply during the last Session on account of the consolidated fund, amount to \$35,275,000. Taking out of this sum \$2,300,000 estimated as the expenditure in connection with the North-West rebellion, the ordinary expenditure as estimated was \$32,975,000. This will have to be supplemented by an addition for the interest on the public debt of \$730,000. The amount included in the estimate of 1885-86 for new loans and other indebtedness was \$2,250,000, of which the amount for new loans was placed at \$1,880,000, representing a capital of \$47,000,000, from which deduct the amount of the 5 per cent. consolidated loan of \$31,371,000, converted to 4, leaving \$15,627,000 for new loans. After the 5 per cent. loan was converted into a 4 per cent. there was borrowed \$19,416,666, and there was a temporary loan of \$5,835,000, and an increase in the deposits in the savings bank of \$1,442,203. It will be seen that there was thus borrowed the sum of \$14,125,000 more than we covered by the estimate. The interest on this amount will be \$565,000, and there is required in order to cover the subsidies given to the Province of Quebec \$119,000, which was not estimated for, and \$471,000 the interest on the 5 per cent. stock which was converted into 4 per cent., for which only one-half the interest was calculated by Sir Leonard when he made his estimates. There was also a further increase in the sinking fund which was not estimated for, being a year's payment on the reduced

loan. Those who have studied carefully the Public Accounts of that year will find that Sir Leonard Tilley did not take an estimate for sinking fund for the loan which he converted from 5 per cent. into 4 per cent., I suppose his intention being to issue a new loan and issue it without a sinking fund. It was converted on the same conditions as regards sinking fund, and we shall have to provide for that \$470,000. The other ordinary expenditures on account of public works, post office, lighthouse, coast, militia, Franchise Act, and other services charged to the consolidated fund, will amount to \$1,500,000, giving a total to be added to the ordinary expenditure of about \$2,700,000.

Mr. LANDERKIN. What amount will be required for the Franchise Act?

Mr. McLellan. That amount we shall be able to estimate more closely later on. These sums show an estimated payment to be made during the year somewhere in the neighborhood of \$38,500,000, from which if we deduct what we expect to be required and what we have in this estimate, including an amount for expenses in the North-West, \$3,500,000, there will remain \$35,000,000 as the ordinary expenditure to be provided for. It is estimated from what we have received up to the present time, that the receipts under the respective heads will be as follows: We had received up to yesterday from Customs \$14,499,664. We estimate to receive sufficient to make the sum amount to \$19,500,000. From Excise we have received \$5,171,000, and we expect to receive \$6,250,000. From the other sources, post office, railways, &c., we expect to obtain for the year \$7,800,000. All these sums, deducted from what we estimated to be the expenditure, will leave, on the year's business a deficit of \$1,450,000. This, as I said at the outset, should be divided between the two years of 1885 and 1886, inasmuch as a part of the revenue due to the present year has been anticipated

and gone to the credit of 1885. Coming to the Estimates submitted to the House for 1886-87 I desire to say that, so far as I have found it possible, I have estimated in full for every service we are called upon to meet, except, perhaps, public works, and there are so many claims, so many demands, and apparently with good reason, made upon that department, that, until the House rises, it is almost impossible to say how much will be required for that service. My hon. colleague, the Minister of Public Works, is so anxious to meet the wishes of all the representatives of the people that it is difficult to say when his demands upon the Treasury will be all in. Taking the several items in detail I have a few observations to offer. The main increase arises in the public debt service. The increase in the interest on the public debt is estimated at \$118,636, this arising mainly from the increased deposits in the savings banks. There has been during the past year considerable discussion in the public press respecting the rate of interest which the Government should pay to savings bank depositors, and it seems to be a question which is growing in importance, and one upon which I think the hon. gentlemen opposite have taken the view that we should reduce the interest upon deposits in the savings banks. The Government, having considered this question, does not come to that conclusion. We believe it is in the interest of the country at large that every encouragement should be given to the middle class, to the laboring class, to practice habits of economy and save their earnings as much as possible; and for this reason we are reluctant to reduce the rate and we think it would be an injustice to them to reduce the rate we are at present paying to such depositors. We have examined into the practice in other countries, and find that in England a higher rate of interest is paid by the Government than is paid in the commercial banks of the country. We find that in several of the States—the States of New York, Maine and Massachusetts

—5 per cent. is allowed to be paid; and taking all these matters into consideration, and considering mainly the fact that it is desirable to encourage the working classes to be economical and thrifty in their habits, we have refused to come down to Parliament with a proposition to reduce the rate of interest in the savings banks. More especially is this the case when we are paying for the money we have borrowed abroad, for a large portion of the public debt of the country, a higher rate than we are paying to depositors in the savings banks. I have had a statement prepared showing the rates of interest we are paying upon the loans we have effected since 1874, and although the nominal rate is 4 per cent., yet when we take into account the charges made by the agents in London, also the discount made upon those loans, it appears we are actually paying for the money we have obtained in England and abroad, a higher rate of interest than we are paying to our own depositors in the savings banks. Taking the several loans, from 1874 to 1885, I find we have borrowed \$124,796,593. Upon that sum there was a discount, to which I referred in the early part of my observations to the House, of \$5,965,040. So while we have borrowed \$124,000,000 odd, and we owe for that and are paying interest upon it, and some time we shall have to pay the capital, we did not receive that much money, nearly \$6,000,000 less, so that the annual interest on the gross amount of those loans is \$4,901,863. Then take one-half of 1 per cent. added as commission for paying interest, and it makes the total amount per annum to interest, \$5,016,823, and an actuarial calculation shows that including charges the rate which the Government pays on these loans is nearly $4\frac{1}{2}$ per cent. Now, the returns of the working of the post office savings banks show that the cost, including interest and expenses, is $4\frac{1}{7}$ per cent., and a statement has been prepared of the amount in the savings banks under the control of the Finance Department, which

shows that the expenses and interest amount to 4·22 per cent.; the average of both is 4·16, or $\frac{1}{100}$ of 1 per cent. less than is paid to the foreign lender. The Government thinks that it is unfair, while we are paying that rate of interest abroad, that we should not pay the same rate of interest to the working classes of our own country, and encourage them, as I said before, to habits of thrift and economy, and to lay by something for a rainy day. It is a question which has been raised as to whether the amount received from any one depositor may not be decreased—and some changes are likely to be proposed—but otherwise we propose to let the matter remain as it is. Sinking fund shows an addition of \$504,407, chiefly made up by the restoration of the sinking fund for the 4 per cent. reduced loan which was omitted last year. I need not weary the House by going over all the particulars respecting the small increases which are proposed to be made in the various ranches. Every care and economy has been exercised in order to reduce them as low as possible. I said in the outset that we had estimated largely for those services which usually come down to the House as Supplementary Estimates, and which include larger amounts than appear in the original Estimates. The Indian vote is increased to \$170,533, and I expect that will fully cover all the wants of that service. The mounted police vote has also been increased. There is no large increase in the collection of revenue service. It will be noticed that there is a reduction in the superannuation service of \$10,000. This arises from the fact that the superannuation service was rather over-estimated last year. This is an item which I think deserves some explanation to the House and to the country, because I find that the working of the Superannuation Act has been largely misrepresented—I do not mean to say intentionally misrepresented, but misunderstood. Hon. gentlemen looking at the Public Accounts, see as the receipts

from the superannuation fund perhaps \$50,000; they see that the charge is made out, say, \$200,000, and they suppose, as a matter of course, that the superannuation is a tax upon the country of \$150,000 a year. I submitted to the House, on the opening of Parliament, a statement of the operation of the Act during the past year, showing that taking the superannuations made for the year 1835, there has been a saving of \$5,691; that is, that the superannuation allowance amounted to \$18,360, the gratuities to different persons \$2,568, and the new annual appointments \$15,763, making a total of \$36,692, whilst the salaries previously received by the persons superannuated amounted to \$42,384, showing a saving by the operation of the Act of \$5,691. But next year and in the other accounts, the particulars of this statement will drop out, and, as I said, all a person will see in examining the operations of the Act will be that we receive from the civil service \$50,000, say, and we pay out \$200,000, or that there has been a loss in the operation of \$150,000. Now, this has not been the case from the passing of the Act up to the present time. If you examine all the appointments that have been made at lower salaries and if you ascertain all the vacancies by persons who have been superannuated and their offices not filled, you will find that there has been a large saving to the country through the operation of that Act. In 1880 the Finance Department went through the whole service and made a calculation showing the branches in which there had been a saving and those in which there had been a loss to the country from the operations of the Act. The Department of Finance showed a saving of \$43,548.73; the Department of Agriculture, \$18,000; the Inland Revenue Department, \$12,570; the Department of Public Works, \$21,000; the Department of Marine and Fisheries, \$30,000; Secretary of State, \$5,482; Department of the Interior, \$6,893; Customs,

\$177,398. In the Department of Railways and Canals there had been a loss up to that time of \$23,025; Militia and Defence, \$3,725; Post Office, \$6,000, or a gross saving of \$330,183, from which deduct the loss in the three departments, and you have still a saving of \$317,325, through the operation of the Superannuation Act up to that time. I have had in my own department the work continued down to the present date, and I find that for the inside service only the operations show a still favorable result to the country in a saving of over \$40,000, and that through the continuous operation of that Act a large saving will be effected to the country in general. Then, Sir, I come to other savings which I propose to effect this year, but I need not weary the House by going through them all. The total result of my estimates is before the House, showing them to be \$33,124,550. Now, I come to the other side of the account—the estimated receipts for the years 1886-87. I do not propose—I do not think it necessary—to make any very great change in the tariff in order to make up that sum, and in order to set something aside to meet the deficit which has arisen from the disturbance of trade and from the troubles we have experienced in the North-West during the past year. My chief alterations will be changes from *ad valorem* to specific duties where I find it practicable or advisable to do so. There has been during the past two years a large decline in the price of foreign goods as well as in the price of home productions; but in consequence of depression in other countries—greater depression, I must say, than exists in our own country—there has been a considerable slaughter of goods in other countries, and a great many difficulties have arisen in the Custom house in arriving at the proper values for entry. With specific duties that difficulty would be largely obviated; and I have in several cases to propose to the House changes in that direction, in order to overcome that

difficulty and to lessen the inducement to parties abroad to send in goods with false invoices. Such change as I propose to make other than this will be upon articles which I think may fairly be considered as luxuries, but they will not affect the workmen, and, therefore, will not give hon. gentlemen opposite any great inducement to increase their cry that we are grinding the poor man down by the burdens of our taxation. I may then, Sir, read to the House the changes that I propose to ask the House to make; and when we are in committee, that will, perhaps, be the better time to give the detailed information respecting the different items:

Almonds, shelled, a specific duty of 5 cents per lb.

Almonds, not shelled, and nuts of all kinds not elsewhere specified, a specific duty of 3 cents per lb.

Baking powder, a specific duty of 6 cents per lb.

Boxes, cases and writing desks, fancy and ornamental, and fancy manufactures of bone, shell, horn and ivory, also dolls and toys of all kinds and materials; ornaments of alabaster, spar, terra cotta or composition, statuettes, beads and bead ornaments, 30 per cent. *ad valorem*.

These articles which I have enumerated may be called luxuries, and yet they stood on our tariff at a lower percentage than many other articles that entered into more general use, and I ask the House to increase the duty on this description of goods.

Bolts, nuts, washers and rivets of iron or steel, a specific duty of 1 cent. per lb. and 15 per cent. *ad valorem*.

Blueing—Laundry blueing of all kinds, 25 per cent. *ad valorem*.

Cider, a specific duty of 10 cents per Imperial gallon.

This was rated formerly at 20 per cent., which amounted to about 3 cents per gallon.

Cordage—Manilla and sail cordage of all kinds, a specific duty of 1½ cents per lb. and 10 per cent. *ad valorem*.

Desiccated coconut, sweetened or not, a specific duty of 6 cents per lb.

Feathers, ostrich and vulture, undressed, 20 per cent. *ad valorem*.

Feathers, ostrich and vulture, dressed, 30 per cent. *ad valorem*.

Fruit, dried, viz.: Raisins, a specific duty of 1 cent per lb., and 10 per cent. *ad valorem*.

Fruit, dried, viz.: Currants, dates, figs, prunes, and all other dried fruits not elsewhere specified, a specific duty of 1 cent per lb.

Fruit, green, viz.: Blackberries, gooseberries, raspberries, and strawberries, a specific duty of 4 cents per lb., the weight of the package to be included in the weight for duty.

Peaches, a specific duty of 1 cent per lb., the weight of the package to be included in the weight for duty.

Glmps, cords, braids, ribbons and bindings, when imported by hat manufacturers for use in their factories, 15 per cent. *ad valorem*.

Gas, water and soil pipes of cast iron, 30 per cent. *ad valorem*.

Gloves and mitts of all kinds, 30 per cent. *ad valorem*.

Hair cloth of all kinds, 30 per cent. *ad valorem*.

Harness and saddlery of every description and parts of the same, 30 per cent. *ad valorem*.

Laces, braids, fringes, embroideries, cords, tassels and bracelets, also braids, chains or cords of hair, 30 per cent. *ad valorem*.

Lead pipe and lead shot, a specific duty of 1½ cents per lb.

Oleomargarine, butterine or other substitute for butter, a specific duty of 10 cents per lb.

We propose also to put an Excise duty of 8 cents per lb. upon that article manufactured in Canada.

Printed or dyed cotton fabrics not elsewhere specified, 27½ per cent. *ad valorem*.

Spirits and strong waters, not having been sweetened or mixed with any article so that the degree of strength thereof cannot be ascertained by Syke's hydrometer, for every Imperial gallon of the strength of proof of such hydrometer, and so in proportion for any greater or less strength than the strength of proof, and for every greater or less quantity than a gallon, viz.: Geneva gin, rum, whiskey, alcohol or spirits of wine and unenumerated, unmixed and not sweetened spirits by whatever name called, a specific duty of \$1.75 per Imperial gallon.

Old Tom gin, a specific duty of \$1.90 per Imperial gallon.

This was left at \$1.32½ cents last year.

Spirits and strong waters, mixed with any ingredients, and although thereby coming under the denomination of proprietary medicines, tinctures, essences, extracts or any other denomination, including medicinal elixirs and fluid extracts, whether in bulk or bottle, not elsewhere specified, shall be nevertheless deemed to be spirits or strong waters, and subject to duty as such, a specific duty of \$3 per Imperial gallon and 30 per cent. *ad valorem*.

So far as liquors are concerned the increase has been upon Old Tom, otherwise explanatory of the resolutions of last year and the year before.

Cologne water and perfumed spirits in bottles or flasks, not weighing more than 4 ounces each, 50 per cent. *ad valorem*.

Cologne water and perfumed spirits, in bottles, flasks or other packages, weighing more than 4 ounces each, a specific duty of \$2 per Imperial gallon, and 40 per cent. *ad valorem*.

Tubing, wrought iron, plain, 2 inches in diameter or under, coupled and threaded or not, 30 per cent. *ad valorem*.

Wire, iron or steel, galvanized or not, 15 gauge and coarser, 20 per cent. *ad valorem*.

Whips of all kinds, 30 per cent. *ad valorem*.

Wire fencing, buckthorn, strip and other similar fencing of iron or steel, a specific duty of 1½ cents per lb.

Yeast cakes and compressed yeast, in packages or bulk of 1 lb. and over, a specific duty of 6 cents per lb.

Yeast cakes, in packages of less than 1 lb., a specific duty of 8 cents per lb.

Portland and Roman cements to be classed with all other cement, at specific rates as now provided.

Now, I come to the question of sugar. Those who have studied the returns of past years will see that the revenue from sugar has been gradually declining. We did not impose so large a duty as was imposed in 1877-78. The revenue derived from sugar, under the tariff of 1877-78, was \$2.39 per 100 lbs. Under the new tariff the revenue, in 1881, was \$1.80. In 1882, the value of sugar had slightly declined, and the *ad valorem* duty gave a less return, namely, \$1.69; in 1883, it was \$1.61; in 1884, \$1.50; and in 1885, \$1.27 per 100 lbs. We propose to ask the House first to change the mode of testing the value of sugar. There has been a good deal of discussion upon this question with refiners of the different Provinces, some of whom have made complaints that favor has been shown to refiners in other Provinces which were not shown to themselves. I do not find that there has been any great ground for this complaint. I think that the officers of Customs have discharged their duty very faithfully, and when a comparison of the returns is made, it is seen that there is very little, an almost imperceptible difference, in the returns from the various refineries throughout the country. In the United States, all sugars are sold by the polariscope test, the refiners of this country test their

sugars, price them, and sell them by the polariscope test; and I think, from the satisfaction this has given abroad and from the contentions that arise under the color test, it is advisable to ask the House to adopt the polariscope test, and to name a specific duty for all refining sugars, which will be an average of the rates received between 1835 and 1881. What, then, I propose, is to ask the House to impose these duties:

On sugar, melado, concentrated melado, concentrated cane juice, concentrated molasses, concentrated beet-root juice and concrete, when imported direct from the country of growth and production, for refining purposes only, not over No. 13 Dutch standard in color, and not testing over seventy degrees by the polariscope, a specific duty of 1 cent per lb., and for every additional degree or fraction of a degree shown by polariscope test $3\frac{1}{2}$ cents per 100 lbs. additional.

I may explain that the American tariff imposes a duty of \$1.40 per 100 lbs. for the test of seventy-five degrees, and charges 4 cents for every degree above seventy-five. What we have taken is a little over three-fourths of the American tariff, reducing everything about the same proportion, so as to charge a trifle over three-fourths of the American duty.

On sugar not for refining purposes, not over No. 13 Dutch standard in color, when imported direct from the country of growth and production, a specific duty of 1 cent per lb. and 30 per cent. *ad valorem* on the value thereof free-on-board at the last port of shipment.

On all sugars above No. 13 Dutch standard in color, and on refined sugar of all kinds, grades or standards, 15 cents per lb., and 35 per cent. *ad valorem* on the value thereof free-on-board at the last port of shipment.

On all sugars, not imported direct, without transshipment from country of growth and production, there shall be levied and collected an additional duty of $7\frac{1}{2}$ per cent. of the whole duty so otherwise payable thereon.

That is, in the case of indirect shipments, the duty shall first be ascertained under the rates named, and then $7\frac{1}{2}$ per cent. of the duty shall be added for that. We have always had in our tariff that distinction between direct and indirect shipments.

Provided that when any cargo of sugar for refining purposes is found to grade, to the extent of not over 15 per cent. of the whole, above No. 13 Dutch standard in color, the whole of said cargo may be admitted to entry by polariscope test, as above provided for refining purposes only.

Syrups, cane juice, refined syrup, sugar house syrup or sugar house molasses syrup of sugar, syrup of molasses or sorghum, whether imported direct or not, a specific duty of 1 cent per lb. and 30 per cent. *ad valorem*.

Molasses, other, when imported direct, without transshipment, and from the country of growth and production, 15 per cent. *ad valorem*.

Molasses, when not so imported, 20 per cent. *ad valorem*.

The value upon which the *ad valorem* duty shall be levied and collected upon all the above named syrups and molasses shall be the value thereof free-on-board at the last port of shipment.

Provided that molasses, when imported for or received into any refinery or sugar factory, or to be used for any other purpose than actual consumption, shall be subject to, and there shall be levied and collected thereon, an additional duty of 5 cents per Imperial gallon.

Provided that the change in the rates of duty on sugars and molasses shall apply only to importations arriving in Canada on and after the 31st day of March, instant, and not to such articles warehoused prior to that date.

Sugar candy, brown or white, and confectionery, a specific duty of 1½ cents per pound and 35 per cent. *ad valorem*.

Then, I propose to amend schedule "B," the list of goods which are entitled to be entered free of duty, by substituting the following provisions for the following items:—

Articles for the personal use of consuls general who are natives or citizens of the country they represent and who are not engaged in any other business or profession.

It has been found that a great many consuls have been appointed, and that several of them are engaged in other business and claim to have articles for their use entered free of duty. This is to explain the provision, and to confine it to consuls general, who are natives or citizens of the country they represent, and not engaged in any business.

Borax, in lump; grease, the refuse of animal fat; iron and steel, old and scrap, but nothing shall be deemed scrap iron or steel, except waste or refuse iron or steel that has been in actual use, and fit only to be re-manufactured; sumac, crude.

Then we strike out from the free list, iron sand or globules and dry putty for polishing granite. These are articles that are being manufactured now in our own country.

Philosophical instruments and apparatus, including globes, &c.

These have been on the free list for a great many years, and all the schools have been compelled to go abroad for such articles, and it has been found that many of the globes and maps imported have been specially designed for the country in which they are manufactured, and that special prominence is given to that country upon them. For a year or two, in Toronto, and I think in Montreal also, there have been gentlemen engaged in the manufacture of globes and philosophical instruments for schools, and, with the sanction of the superintendents of schools in Ontario—at least some of them from whom I have heard—it is proposed to encourage the manufacture, so that there may be a supply of those instruments within reasonable reach, instead of the trouble of sending abroad for them being necessary. Then, it is proposed to amend schedule "D" relating to prohibited articles, by striking out the item relating to copyright works, and substituting the following in lieu thereof, namely:—

Reprints of Canadian copyright works, and reprints of British copyright works which have been also copyrighted in Canada.

There is another resolution declaring that it is expedient to provide for an Excise duty of eight cents a pound on oleomargarine, butterine, or other substitute for butter, manufactured in Canada. These, so far, are the propositions which we have to-night to submit to the House. Now, assuming that these are assented to by the House, I think that we may reasonably expect that the revenue during the year 1886-87 will be as follows: I may say, first, that even with the full benefit of any changes that I have proposed here, I am not counting upon any very large increase to the Customs revenue of the country during 1886-87. We have had, or

we are to have, the Canadian Pacific Railway opened through to British Columbia. Hon. gentlemen know by the returns that the amount of duties collected in British Columbia and Manitoba has been out of proportion to the ordinary collections in other parts of the country of similar population, because they have been shut out from connection with the manufacturers of the country, and I believe that, with the opening of the road, a great deal of the trade which hitherto went from British Columbia to the United States and from Manitoba also to the United States will be given to our own manufacturers in the Dominion. Therefore, I do not anticipate so large a revenue from those two Provinces as we have had in the past. My estimate then for the year 1886-87 will be:—From Customs, \$20,200,000; from Excise, \$7,000,000; from post office, railways, interest and miscellaneous services, \$7,300,000; making a total of \$34,500,000; against which I have shown an estimated expenditure of \$33,124,550, leaving, as the estimates now stand, a surplus of \$1,375,450. This, of course, when my hon. friend the Minister of Public Works has had his say, so far as he can have it, will probably be reduced, still I hope that the public service will not call for a very large additional expenditure this year, and that the amount of the anticipated surplus for 1886-87 will not be very largely reduced by Supplementary Estimates. It may be that the hon. gentleman who will follow me will think I have over-estimated this matter, and that I am over-sanguine as to the amount that I shall receive during the coming year of 1886-87. I suppose that, if he speaks by the experience of the past, he will say I am. He might tell us that he entered upon his administration full of hope, as I am; that he had great expectations of revenue, and that, when he proposed to increase the duties by three millions of dollars, there was no doubt in his mind that he would receive that addition to his revenue; but we know

the result; we know that time, and the policy that he was pursuing, frustrated his hopes and wrought his political ruin for that period. I know that this may, perhaps, be the impression on his mind now, and he may, perhaps, bring us the proof from the records that all this occurred, but I believe that the policy this Government is pursuing will lead to better results than the policy which the hon. gentleman and his party pursued from 1874 to 1878. It is true that we have not had in the past year or two that commercial activity that we had in 1881 and 1882, but there has been great caution on the part of our merchants, in view of the great reduction which has been going on in the prices of various goods throughout the world; and there has been a very large reduction, more especially in free trade countries, where the depression was most strong. I am sure, Mr. Speaker, that if we compare the position of the Dominion of Canada in its trade with the condition of any other country, more particularly free trade countries, we will find that the depression has not affected us so seriously as it has some of those other countries. We have every indication from the country at large that there is sound commercial life, and that there is ability to enlarge commercial operations in the country, and I rely upon that. The revenue to be derived from a people, depends a good deal upon the ability of the people to purchase goods, and upon their inclination to do so. I know, Mr. Speaker, that the inclination generally exists, and the ability to do so we may enquire into. Commencing with the agricultural class, I think we have every reason to believe that the farmers of this country are in a better position to-day than they have been for years—at all events, in a very much better condition than they were during the period from 1874 to 1878. We live beside the greatest agricultural people in

the world, perhaps, and they are a people who, notwithstanding that they have a large surplus to export, will permit no article of agricultural produce to enter their country free. That was the condition of things from 1874 to 1878, and yet while that condition of things existed, the policy that was pursued by the Government of this country was to admit all agricultural produce free. Mr. Speaker, I do not wonder that this had a depressing effect upon the farmers of this country, and I think, Sir, that effect upon the agricultural community was evinced in the fact that so large a quantity of American farm produce came into this country free, and was consumed by our people, instead of being supplied by our own farmers. Sir, we have changed that policy. We have said to Canadian farmers, that just such measure as the American Government has been meting out and does mete out to you, we will mete out to the American farmer. We will endeavor to shut out the large importation that has been going on of American farm produce to feed the people of this Dominion, who have so much fertile soil and so many willing hands to cultivate that soil and to produce all that is required for the sustenance of their own people. But we said more. We said to the Canadian farmer: We will inaugurate such a trade policy as will give employment to a large number of consumers whom you will have to feed and support from your farms, and we will increase your markets not only by stopping foreign produce, but by multiplying the number of consumers of your own farm produce. Under this changed policy the condition of the farmer seems to have rapidly improved. The importation of American agricultural farm produce has diminished, although our home consumption has increased largely. This matter has been discussed by the organ of the third party, in this house, and an attempt has been made to show that the National Policy has been a failure, because there is

still a considerable importation of breadstuffs into the country. Well, Mr. Speaker, it is true there has been some considerable importation, but my position is this: that under our National Policy we have largely reduced the importation of American breadstuffs, and we have also stimulated the Canadian farmer to greater activity; that he has supplied what has fallen short in importation, and he has largely increased his exports abroad. The increased activity which has been given to all branches of industry seems to have affected as well the farming population, and they are able to supply the three or four million dollars worth of American farm produce that used to come in, and we have largely increased our exports abroad. Now, Mr. Speaker, in 1875 there was entered \$12,389,900 worth of American breadstuffs; in 1876 there was imported \$11,114,000 worth; in 1877, \$13,853,000 worth; in 1878, \$13,452,000 worth, a total in those four years of \$50,813,900 worth. We exported \$24,000,000 odd, leaving, as consumed by the people of this country, \$26,707,126 worth, or \$6,676,000 worth per year. Now, Sir, under the present policy, without giving the sum for each year, the total imports for six years, beginning with 1880, have been \$18,734,000, or \$3,130,600 a year, as against \$6,676,000 before the National Policy was inaugurated. That is, we have imported per year less than one-half as much as was imported per year before the adoption of the National Policy. I may state that the article of Indian corn was mentioned by the organ of the party, and it was shown that it has been taxed to the large amount of $7\frac{1}{2}$ cents per bushel. Well, Mr. Speaker, it is true that under this policy we did tax Indian corn $7\frac{1}{2}$ cents a bushel; but a large portion of the imports of Indian corn was for the purpose of being distilled into whiskey. In 1880 there were 739,000 bushels imported; 1881, 754,000 bushels and so on; in the six years there were 5,368,123 bushels

imported, paying $7\frac{1}{2}$ cents per bushel duty, all, for the purpose of being distilled into whiskey and not for the purpose of being consumed as breadstuffs. But I have shown by statistics that we have shut out by our policy more than \$3,000,000 worth a year of breadstuffs coming in from the United States, and I will make a comparison showing the exports of farm produce. In 1875 we shipped agricultural exports, including breadstuffs and products of animals, to the value of over \$29,953,000; 1876, \$10,000,000; 1877, \$28,000,000; 1878, \$32,000,000; 1879, \$33,000,000; or a total of \$165,580,000 in those years. Since the introduction of the National Policy the exports have been as follows:—1881, \$42,000,000; 1882, \$51,000,000; 1883, \$13,000,000; 1884, \$35,000,000; 1885, \$39,000,000—\$212,000,000 in all. From this sum deduct \$165,000,000 exports in the same number of years without the National Policy, and you have left an increased export of \$46,853,833 or \$9,371,766 a year. Our farmers have exported annually, on an average, upwards of \$9,000,000 in excess of what they did before, and they have supplied the home market to the value of \$3,500,000 of American produce shut out, making over \$13,000,000 more than was exported under the policy of hon. gentlemen opposite.

Mr. CHARLTON. Where is the home market?

Mr. McLELAN. Why, I have just explained to the hon. gentleman, as well as I could, that we have given the home market to Canadian farmers to the extent of \$3,545,000 a year; and that is supposing there had been no increase of population during that period. But it will not be pretended that there has not been more supplied with the increase of population in the manufacturing districts since 1881, and that the home market has not been larger than it was before, the \$3,545,000 in addition. A word more in regard to the home market. In the first six months of this year, the importation of farm produce and provisions for the use

of the people has declined over \$2,000,000 as compared with the first six months of last year. So the House will see that year by year our farmers have been steadily taking possession of the home market as well as increasing their exports abroad, and the encouragement afforded them has given them greater activity and life, and they do not now "leave the oxen idle in the stall and the plowshare rusting in the field." The hon. gentleman opposite does not seem to be quite satisfied that our farmers have been benefited by the operation of our policy; and when an hon. gentleman, who was elected for his intelligence as a representative of the people, claims not to see in what way the farmers have been benefited, I think there may possibly be farmers who have not yet seen clearly in what way they have been benefited.

Some hon. MEMBERS. Hear, hear.

Mr. McLELAN. Some hon. members say "hear, hear." I suppose you could put it more clearly to the farmers. The hon. gentleman knows Toronto, a city with a population of 100,000. Suppose you could draw a cordon of American Custom house officers round that city and say to the farmers of Ontario: You shall not take in a pound of butter or any agricultural produce to feed that population of 100,000, but they shall be fed entirely by American farmers. If you could do that in practice it would bring the matter home to Ontario farmers, and I think the hon. gentleman himself would not ask how they were at present benefited, and the farmers would see how they had lost by such a transaction, by being shut out from supplying the city. Suppose hon. gentlemen opposite should come into power and should bring their policy into operation, and all the men who are now employed in manufactures, and who were not employed in 1878 under their policy, by which great importations of slaughtered goods were sent in from the United States, had to shut up and go to the United States. My predecessor

brought down last year a statement showing that by statistics there had been established, under the National Policy, factories giving employment to 34,000 hands. The probabilities are that under such a change of policy as I have indicated almost the whole of those people would be driven out of the country into the United States to manufacture the goods that might be wanted by the people who would be left behind.

Mr. LANDERKIN. More than that number have been driven out.

Mr. McLELAN. The hon. gentleman says that more than that number have been driven out. But he would not object to driving out 34,000 more, —

Mr. LANDERKIN. I would.

Mr. McLELAN—and all the people connected with them. Let me carry the supposition further. Suppose that after those people had been in the United States for a time manufacturing for the Canadian people, being fed by American farmers and paying tribute to the American Government, they should say: The products of our toil go over to Canada; we are scattered in different towns; suppose we unite, cross the line and establish ourselves at one central point, and take over the men who build our houses, and our lawyers, doctors, clergy, wives and children and servants, and make a population of over 100,000 and locate at some place where not a pound of butter or an article from a Canadian farmer will come, but American farmers will have free entry by market waggon and railway to come and go and supply us with everything we need, and the Canadian farmer shall have no intercourse with us. Then the hon. gentleman himself and all the Canadian farmers would see the effect of that operation in practice, and I think they would say: It is better that we should have a policy that will keep those mechanics and their families here and enable

our own farmers to supply them with their farm products, and thus find a market for them at home. Mr. Speaker, I have referred, in reply to the hon. gentleman, to the increase in the number of wage-earners and to the fact that Sir Leonard Tilley had statistics prepared showing the increase in the number of artisans employed in the various factories of this country from 1878 up to the commencement of 1884. I have not had the opportunity of continuing that operation, but in our trade returns there is sufficient evidence to show that the increase in the number of wage-earners and artisans employed has been enormous from 1878 up to the present time. We have imported more than \$10,000,000 worth of machinery since 1878. That machinery was not imported to stand idle. That machinery is now giving employment to large numbers of people in various portions of the country. We have imported large quantities of the raw materials to which I have already referred—cotton, wool, hides, pig-iron, and everything that enters in the manufacture of goods, and all these things prove conclusively to me that there is an increased number of people employed, an increased number of wage-earners who are receiving good wages, and who will be able to purchase goods and contribute to the revenues of the country during the year. In everything there is evidence of increased activity. I read to the House to-night the increase in the post office service. Hon. gentlemen opposite claimed that we would kill out the shipping trade of the country, but there has been a steady increase in the coasting and foreign trade of this country ever since this policy was introduced, all tending to show that the country is progressing favorably.

Mr. MITCHELL. Sailing vessels?

Mr. McLELAN. I will read the figures to the hon. gentleman. The coasting trade in 1884-85 was 15,944,422 tons the foreign trade in ships was 7,644,615 tons.

Mr. MITCHELL. Sailing vessels?

Mr. McLELAN. Sailing vessels and steamers.

Mr. MITCHELL. I am asking about sailing vessels.

Mr. McLELAN. I have not separated them. I have not learned yet that a steamer cannot carry goods and passengers. I think that the steamers carry just as many goods in proportion to their spare tonnage as sailing vessels and deliver them quicker, and I was taking them both together. The foreign tonnage was 7,644,615.

Mr. MITCHELL. Foreign tonnage?

Mr. McLELAN. The coasting and foreign trade together was 23,589,000 tons. In 1878-79 the coasting trade was 12,066,683 tons; the foreign trade 6,000,000 tons, or a total of over 18,000,000 tons. There is an increase in the six years of 5,433,804 tons or an average of 905,634 tons a year.

Mr. MITCHELL. Foreign tonnage, but not Canadian; that is the point.

Mr. McLELAN. I am not speaking of whether we owned more or less tonnage—

Mr. MITCHELL. Ah! That is what I want to know.

Mr. McLELAN. I am speaking of this point: that the people of this country, the trade of this country and the wants of this country, employed a larger tonnage by 5,433,804 tons than they did in 1878.

Mr. MITCHELL. Yes, but owned by foreigners; there is the point.

An hon. MEMBER. It makes no difference.

Mr. MITCHELL. It makes a great deal of difference.

Mr. McLELAN. I am not aware that foreigners own a very large proportion of the shipping that is engaged in the coasting trade of this country. I am not aware of it, and if the hon. gentleman will show it to me, I will accept the

figures he will give, but it does not alter the position I have taken, that the trade of the country requires 5,433,804 tons, and employs that tonnage more than it did in 1878-79. Then if we come down to railways we find that in 1878-79 we had 6,664 miles of railways in operation; their train mileage was 19,000,000; the total passengers carried, 6,444,000; the number of tons of freight carried, 7,833,000. Now, Sir, in 1883, we have 10,149 miles of railway in operation; we have a total train mileage of 30,623,000; the total number of passengers carried, 9,672,593; and the total number of tons of freight carried, 14,679,949; or an increase in all these items of over 50 per cent., all tending to show that there is an increased trade, an increased activity in business throughout the country. Therefore, Sir, I think that I am right in the position I take, that the business of the country is more active and better. Then we have the fact as shown by our bank returns that we have \$16,000,000 more of bank and Dominion notes in circulation than there were in 1878; that the deposits in the chartered banks in 1885 were \$106,000,000; in 1878, \$72,000,000; or an increase of \$34,000,000. We have the fact that the savings banks deposits have increased from \$8,497,000 to \$35,280,000 up to last night, an increase in deposits of \$26,783,000. But, Mr. Speaker, we have an increased number of men engaged in business, and we have also an increased number engaged in business without failing as they did in 1878. The number of traders, in 1885, was 70,043, with failures amounting to \$8,742,000. In 1878 we had 56,347 traders, with failures amounting to \$26,875,000. There is an increase of 13,696 in the number of people engaged in trade throughout the country, and there is a decrease of \$18,132,000 in the amount of the failures, and I take these facts as the best indication of the condition of the country, that larger numbers are engaged in trade, and engaged without loss to themselves and to the country at large. The returns for

the first period of this year show still more favorably in respect to the failures. The return, as given for the first six weeks of 1886, was 192 failures, as against 235 in the same period of 1885, and 287 in 1884; so that, comparing with 1878, the decrease is very great in the number, and the decrease in the amount of liabilities is something enormous. I was very deeply impressed with the explanation which the hon. member for Bothwell (Mr. Mills) gave a year or two ago, of the causes of failures from 1874 to 1878. He put the whole case in a nutshell. He said that "the merchants failed for want of customers;" and I suppose there were no customers because there was no employment for the people, and no money among the people to enable them to purchase the merchants' goods. Therefore the merchant stood idle at his counter, waiting in vain for customers that did not come—that could not come—because they had no money and no employment; and therefore ruin and bankruptcy fell upon the merchant, and the official assignee walked the land like a pestilence at noonday. Sir, I start from one point—idleness of the people, want of employment, no factories in operation, and consequently no customers for the merchant—and there follow a bankrupt merchant and an empty treasury. I start from the other point—employment for the people, money for the people, money taken by the people to the merchant, the merchant busy, and a full treasury. You start from one point, and you reach the one conclusion absolutely; you start from the other point, and you reach the other conclusion just as certainly. When you have employment for the people, you have not only a busy merchant and a full treasury, but you have above all a contented and happy people. Daniel Webster, the great American statesman, speaking upon this point, after he had been converted to protective views, said:

"The interests of every laboring community require diversity of occupation, pursuits and objects of industry. The more that diversity

is multiplied or extended, the better. To diversify employment is to enhance wages. And, Sir, take this great truth, place it on the title page of every book of political economy intended for use, put it on every farmer's almanac; let it be the heading of every column in every mechanic's magazine. Proclaim it everywhere, and make it a proverb, that where there is work for the hands of men, there will be work for their teeth. Where there is employment there will be bread. It is a great blessing to the poor to have cheap food; but greater than that, prior to that, and of still higher value, is the blessing of being able to buy food by honest and respectable employment. Employment feeds, clothes and instructs; employment gives strength, sobriety and morals. Constant employment and well paid labor produce, in a country like ours, general prosperity, content and cheerfulness. Thus happy have we seen the country, thus happy may we long continue to see it."

The hon. member for South Huron (Sir Richard Cartwright), some time during this Session, told us that the National Policy had been a failure, because there had been large importations in excess of the exports; and he gave figures by which he made it appear that there had been an excess of \$101,762,000 worth of imports over exports. Now, Sir, let me refer to this for a moment. We were in very peculiar circumstances. Manitoba, the North-West and British Columbia imported largely of foreign goods, having no facilities for procuring goods of domestic manufacture. If the hon. gentleman will compare the imports into Manitoba, the North-West and British Columbia from 1874 to 1879 with the imports from 1880 to 1885, he will find that they imported in the latter period \$45,603,000 worth of foreign goods. If he will take that from our excess of imports over exports for the same period, he will find that it leaves but \$56,159,000, or \$9,359,833 a year. He will also find that the imports into those districts from 1874 to 1879 were only \$18,000,000, which deducted from the excess of imports over exports, will leave \$38,000,000; or in that period there was an excess of imports over exports, exclusive of Manitoba, the North-West and British Columbia of \$17,242,000 a year, while from 1880 to 1885 there was only an excess of \$9,359,000 a year. But the hon. gentleman will also

find, on examination of the trade and revenue returns, that a large proportion of the excess of imports over exports in the older Provinces was raw material for manufacture, or articles that should come in free. For instance, there was an increase in 1885 over 1878 in hides and horns of \$563,000, in cotton and wool of \$1,500,000, in settlers' effects of \$746,000, in coin and bullion of \$2,250,000, and so on, making an excess of imports over exports in those articles, which are free, of \$3,630,000; so that the whole excess of imports over exports in the older Provinces is disposed of in that way. Mr. Speaker, I have detained the House at greater length than I intended, or should have done, and I must apologise for it. But an hon. gentleman opposite has said that we have driven more than 40,000 people out of the country; and I suppose we shall hear the same thing from the hon. gentleman who is about to address the House on the opposite side. It is true, Sir, we have not had in the past that great increase of numbers that they have had in the United States. In the United States, long previous to the taking of the last census, they had a policy of protection to home industry. They had a policy of giving their people employment and high wages, a policy which drew immigrants to the United States from all parts of the world. They had also opened for settlement large tracts of prairie country, and the two policies combined helped to increase the population of the United States at a greater rate than the increase in the Dominion. But, Sir, if we take the American census of 1880 and the Canadian census of 1881, and if we select a number of the older States, which offer a fair ground for comparison with the Dominion of Canada, we will find we have held our own very well. Of course, if you go into the newer States, with attractions of new territory and prairie soil, you will find a much larger percentage of increase; but what I want is to make a comparison with the older States. Connecti-

cut, which had 537,000 inhabitants in 1871, had 622,633 in 1881. Connecticut, Maine, Massachusetts, New Hampshire, Vermont, Dakota—I put in Dakota as a set-off to Manitoba—comparing those States with Prince Edward Island, Nova Scotia, New Brunswick, Ontario, Quebec, Manitoba and British Columbia, I find that the American States increased 16.06 and the Dominion of Canada increased 17.03 per cent. in population, according to the last census; so that when we make a proper comparison between the Dominion and the older and more settled portions of the United States we find we have more than held our own. Now, the complaint has been made that the National Policy has not done its duty, because times have not been so brisk as they were in 18:2-83. But, as I said before, if we compare the position of trade in Canada with the position of other countries—in the United States, and Great Britain, for instance—we will find that our position is better than theirs, and we can gather from this, that but for the National Policy ruin and bankruptcy would have been upon us. It is in times when there is great depression in surrounding countries, when there are over-production and slaughter in prices of goods in those countries, that we find the protective policy desirable and advantageous, and it has proved itself here highly beneficial in protecting us from the onslaughts which would have been made upon us by foreign manufacturers. I proposed to deal with this question more fully, but I have occupied so large a share of the public time that I cannot go into it as fully as I would wish. I want, however, to give one instance to show how the National Policy is affecting the wage-earner in this country at present. All that is required for the production of cheap goods in this country, is that there shall be a market for those goods, and the larger the market the cheaper they will be. Our people are as active and as intelligent as any others, and when they are forced

abroad, as they have been, they make as good artisans, with a little experience and training, as are to be found in the world. All that they require to be fit to manufacture everything required in this country, and to manufacture as cheaply as is manufactured in the United States or elsewhere, is that they shall have some training, and this they will obtain by our furnishing them with a market for their goods. Now, the manufacturer or capitalist seeks a fair return for his investment; he looks into the chances existing for placing the products of his investment; and the smaller the output he has, the larger percentage he must put upon that output in order to meet the interest upon his capital and the depreciation of his plant. There is a very familiar illustration of this. You take a blast furnace which requires \$30,000 to meet the interest upon the capital invested in it and the depreciation of the plant. If the output of that furnace be 15,000 tons of pig iron, of course there must be \$2 a ton put upon the iron, in order to pay the interest and the depreciation of the plant. If you increase the output to 20,000 tons, then it only requires \$1.50 per ton to pay these charges; if you increase it to 30,000 tons, you only want \$1 a ton upon it, to pay a dividend and you can sell the pig iron \$1 a ton cheaper. If you run the output up to 60,000 tons, all you want is 50 cents a ton, and you have \$30,000 raised, and the pig-iron is \$1.50 cheaper than it would be with only 15,000 tons of output. The same principle holds good in all the manufactures in which we are engaged. The percentage which must be put upon every yard of cloth which comes from the loom depends upon the output, in order to meet the interest upon the capital and the depreciation of the plant. You must have one of two things. You must either have a large market and a large output or you must have a low rate of wages, and that means a low scale of living and a small expenditure for the benefit of the farmer. Moreover,

you cannot for any considerable length of time, keep men employed at a low rate of wages, while across the border, in the United States, there are larger wages paid and attractions offered to draw them to that country. The intention of the National Policy is that we shall give a large market to our own manufacturers. We have not so large a market of course as they have in the United States, but we can give a proportionate market, one-tenth or one-twelfth in proportion to the population of the other side. David Wells, the American apostle of free trade, has been often quoted in this House, and he says:

"Wages are labor's share of product, and in every healthy business are ultimately paid out of product. No employer of labor can continue for any great length of time to pay high wages unless his product is large. If it is not, and he attempts, it is only a question of time when his affairs will be wound up by the sheriff. On the other hand if a high rate of wages is permanently paid in any industry and in any country it is in itself proof positive that the product of labor is large, that the laborer is entitled to a generous share of it, and that the employer can afford to give it him."

That is what we have been striving to do in this country, and it is what we are accomplishing, when we are giving a larger market to our own manufacturers, and we have the result that a larger, a more generous wage is being paid to the employes than previous to the introduction of this policy. I have not gathered any statistics, except from one company, the Canada Cotton Manufacturing Company, of Cornwall, and I have a comparison in regard to that company between 1878 and 1885, with which I wish to trouble the House in order to show the result of the National Policy in increasing the rate of wages, the number of hands, and not the price of goods.

Mr. MITCHELL. There is a 35 per cent. duty though.

Mr. McLELAN. In 1878, in the six months from July to December, there were 407 hands employed in that factory, who received \$47,557 in wages; the daily amount paid

being \$305, and the average paid to each hand per day 75 cents. Times seemed to grow worse, and in the three months from October to December the amount paid to each hand ran down to 72 cents; and in the month of December it ran down to 69 cents. Now I come to 1885, under the operation of the National Policy, and I find that, for the six months ending December, there were 640 hands employed, receiving \$91,144 in wages; the daily amount paid being \$531, or an average per day of 91 cents to each hand, against 75 cents in 1878. For the three months from October to December, there were 670 hands employed—the number increases as we go on—and the average amount paid was 92 cents. In the last month of the year, 672 hands were employed, and the average amount paid to each was 90 cents. For the six months, the percentage of hands between 1878 and 1885 shows an increase of 57½ per cent., the wages paid an increase of 91½ per cent., and the amount of daily wages to each hand an increase of 21 per cent. In the three months there was an increase of 56½ per cent. in the number of hands employed, of 187½ per cent. in the amount of wages paid, and of 28 per cent. in the amount paid to each hand. In the last month of the year, the increase in average wages was 30 per cent. over that paid in 1878. So you will see from the figures given that the people employed by this company are receiving a greater wage per day than they were in 1878. But the hon. gentleman says we have a duty of 30 per cent.

Mr. MITCHELL. I said 35 per cent.

Mr. McLELAN. Well, 35 per cent. In 1878, the price of standard sheeting, weighing 2·85 yards per lb, cost 10 cents, less 7½ per cent. discount, or 26·36 cents per lb., with the average price of cotton 10½ cents. In 1886, that same sheeting, cost 6½ cents per yard net, or 18·52 cents per lb., against 26·36 cts. per lb. in 1878.

Mr. MITCHELL. What did the raw cotton cost ?

Mr. McLELAN. It cost $10\frac{3}{4}$ cents in 1878, and in 1886 it cost 10-56 cents per lb. This shows that, though the hon. gentleman says there is a duty of 35 per cent, consumers are getting their sheetings now for $42\frac{3}{4}$ per cent, less than they paid in 1878, while the raw cotton is not quite 3 per cent, cheaper. That is the result of the operations in that factory, and I am satisfied that it will be shown to be the result all over this country, that men are being employed, that they are receiving greater wages, and that the output of the factories is given at less cost than it was in 1878, when people had a narrow market and could not produce as cheaply as now when they have a larger market. This is what we are doing with the National Policy and that is what we intended; we are giving employment to the people and at better wages, by our protection. It is not the cotton in its raw state that we want to protect, it is not the ore in the mountain, nor coal in the mine, it is not the clay in the potter's hands that we want to protect, it is the hands that are forming and fashioning the clay, it is the men who dig the ore from the mine, the men who smelt it in the furnace and the factory, and form and fashion it into the shape we require to use; it is the men and women who are manipulating the warp and the woof in the cotton factories,—it is these whom we want to protect, and it is these whom we have protected, as I have shown, and for whom we have secured a higher rate of wages. Therefore, the National Policy is no failure, from any point of view you look at it. I have detained the House too long—

Some hon. MEMBERS. Go on.

Mr. McLELAN. No, I must close, in justice to my hon. friend opposite. I have gone over the Public Accounts, and I have shown the position of affairs in 1885. I have shown

that, taking the year by itself and apart from the troubles in the North-West, we stand very well. I think hon. gentlemen will admit that we stand very well, for they never liked the idea of having a large surplus. I have shown that in 1886 we shall not be so very bad, and that there is a justification for us for putting that extraordinary expenditure which we have had in connection with the North-West to capital account, because during the years that we have administered the Government of the country, we have paid from revenue a large amount into capital account. It is not the custom with other countries in the world, which have been engaged in wars, to place all the expenditure of those wars on revenue immediately. The United States did not, they could not, they left it to capital account, and it was years before they commenced the reduction of their indebtedness. It was fourteen years before they returned to specie payments, I have shown, I think, conclusively, that there is no great cause for alarm in the amount of burden that is imposed upon this country for interest at present. I have shown that there was, up to 1885, a less rate of interest *per capita* upon this country than existed in 1878, and only 23 cents at the most more than there was in 1867, when the people were poorer and had not the ability to pay. I have shown that, taking out the extraordinary expenditures and those that are not taxation, the increased expenditure from 1887 to 1885 has been comparatively trifling, a little over \$2,000,000. So, Sir, I do not anticipate that we shall hear very much more of the increased taxation from \$13,000,000 up to \$34,000,000 or \$35,000,000 in eighteen years. Sir, they have first to convince the man who has engaged in the business and the duties in life, and who is expending \$35 for an outfit and a suit, that he is doing wrong and ought to go back to the \$13 suit, that he had eighteen years ago, when he was a boy. They will have to convince the merchant who is doing a business

of millions that he is in danger of bankruptcy and ruin because his expenses are larger, his staff of clerks is larger than they were when he had a little corner shop, and as Carlyle said: "The red herrings and the pipes painfully crossed in the window." Sir, before they can convince the people of this country that we are doing wrong in our expenditure, they will have to persuade the stockholders of the Bank of Montreal to sell out if they wish to avoid bankruptcy and ruin, because the Bank of Montreal, when it started, only expended £400 or £500 a year, whereas they now have established agencies all over the Dominion, and in New York and London, and are expending an enormous sum yearly in keeping up those agencies. They will have to persuade the stockholders of the Bank of Montreal that they are in danger of ruin and loss before they can persuade the people of this country that they are in danger, because there has been necessarily an increased expenditure owing to the increased area of this country. Sir, there have been necessary expenditures, because we have had large undertakings which were necessary to our very existence, and we have had a great struggle to accomplish this purpose; but, Sir, we have succeeded, and the liabilities arising out of that have been placed upon us earlier than we anticipated. We entered into an engagement to construct the Canadian Pacific Railway, and have it completed in 1891; but circumstances made it desirable, in the interest of the country, for this House to hasten the completion of that great work. Well, it is almost completed, and, as I have shown the House, the burdens for interest are not unduly pressing upon this country. We have come out of our operations with far less burden per head than pressed upon the United States when they came out of their struggle. They are now reducing their indebtedness. We also have accomplished our purpose, and will

take the opportunity of retrieving and improving our position. And, Sir, we shall do that; we shall rest from our labors, and shall give our attention to reducing the indebtedness of our country, and without unduly taxing the people. Sir, I spoke of the Canadian Pacific Railway. They have accomplished a great work, and we have assisted them.

An hon. MEMBER No.

Mr. McLELAN. Mr. Speaker, I remember the discussion in this House, when it was said that we were giving them everything, and I think the echoes of some of those speakers still linger in the corners of the ceiling, when it was declared that all we were doing for them was a gift, and that the loan of \$35,000,000 which we made to them would never be repaid to the country. It was only last year when they came here and asked that we should allow them to issue bonds to the amount of \$35,000,000 and take \$20,000,000 of this as security for \$20,000,000 of our indebtedness, and put the other \$10,000,000 upon lands in the North-West, looking to them only for it, and that we should loan them \$5,000,000 more. At that time the gentleman who says "no," perhaps, or some one beside him, said it was only another gift of \$5,000,000 to the Canadian Pacific Railway, and that it would never be returned. Sir, we did, in the interest of the country, adopt that proposition, and \$9,000,000 was left upon lands, and they sold their bonds and paid us the \$5,000,000. They have gone on and nearly brought to completion that great work. But, Sir, we know that there are a great many things to be done in order to make that work a complete success. The termini of that road have been spoken of as being at Liverpool and Hong Kong, and it is desirable, in the interest of this country, that they should be enabled to make that communication between Liverpool and the eastern countries.

They say to us: It is difficult for us to do it because nearly all the money we have raised from that \$15,000,000 is exhausted in our undertaking; you now hold a mortgage upon all our lands, and we are unable to raise any money upon them. It will be known to hon. gentlemen that last year great pressure was brought to bear upon members of the House that we should give up that lien upon the whole of the lands and take a certain portion on of the lands, leaving the rest free for the company to raise money upon. They come again and ask us to do the same thing. They represent that a great expenditure is necessary to make the proper connections east and west and efficiently equip the road, and they ask us to take a certain portion of that land as payment for the lien we hold upon the land, and upon the land only, and leave them to deal with the rest for their own benefit. Well, Mr. Speaker, we have considered that matter. We have weighed it carefully, and we have thought that—having aided and assisted the Canadian Pacific Railway Company to accomplish so much, to obtain a standing and footing in the money markets of the world, and to be recognised as a great and powerful company, that has accomplished a work of Imperial importance, that it can well stand alone, can well work out its own destiny and accomplish its own purposes. And we have thought it to be in the interests of that company and in the interests of the country at large if we were to remove the lien that extends over the whole of the Canadian Pacific Railway lands and take a certain portion which we consider of the value of \$9,000,000. We have said to the Canadian Pacific Railway Company: Gentlemen, this is the position of things. Now that you are strong and powerful, able to walk alone, now that you have shown to the world the importance of this great undertaking, let us close all accounts, let us make a full and complete settlement. You take your lands and

raise what money you require to meet your purposes and we will take a portion of those lands and hold them and dispose of them for the purpose of meeting the balance of the loan after paying \$20,000,000 in cash. And, Mr. Speaker, I am able to announce to the House that arrangements have been made by which the company agree to accomplish that purpose and to pay us \$20,000,000 in cash, one-half in May and one half on or before 1st July, and enable us to close all accounts with the Canadian Pacific Railway Company and receive our \$20,000,000 that we may provide for our floating indebtedness and have spare cash in the Treasury and not be under the necessity of increasing our liabilities. We were told time and again that the money and aid we were giving to that company were gifts, and would prove an entire loss to the country. But we believed otherwise, and the result has proved we were right in placing faith in that work and in those who managed it. When we receive that money we shall be able to pay off all that sum of \$14,000,000 of floating debt, and be able to turn our attention to the older Provinces. The House and the country know that a large portion of the time and attention of the Government has been given to the North-West and the Canadian Pacific Railway, perhaps to the neglect of some of the older Provinces, and we think it is desirable in the interests of the older Provinces that the attention of the Government should be given to them, and that the Canadian Pacific Railway now being on its feet should work out its own destiny. We have advanced so far, and at the earliest possible day I shall submit for the approval of the House a proposition to carry out this undertaking and enable us to settle all accounts with the Canadian Pacific Railway Company, and to receive the money that is represented by the \$20,000,000 of bonds which the Government

holi. I think taking the whole position we have cause for congratulation. We have cause for congratulation that we have done so much and not imposed more burdens upon this country, and that we have gone through with our part of the undertaking and not suffered more inconvenience than we have done. Sir, we all deeply regret the condition of affairs during the past season; we deeply regret the outbreak in the North-West; we regret the loss of life that was occasioned by it; but if we are to believe the words of hon. gentlemen opposite even that has done us good. The House will remember, and will remember with admiration, the speech which the hon. gentleman opposite made in the absence of his leader—the speech which he made when he came out from the shadow of partyism and spoke as a man and a Canadian. He said:

"Sir, people respect those whom they find to be able to fight for their own land and to defend their own country. Our conduct has been watched and scrutinised on both sides of the Atlantic, and there is no doubt whatever in my mind—I say it frankly—that we stand before the nations of the world in a better position to-day than we did three or four months ago on that single score."

Even that occurrence, the hon. gentleman says, has done us good. Yes, we came back from that fight lamenting the death of those who fell in the defence of their country; but we came back without a permanent wound or disfigurement, or without being dismembered; we came back wearing no empty sleeve, but with both our good arms tried and strengthened and skilled to carry forward the banner of our country and to work out a grand destiny for ourselves among the nations of the earth. Mr. Speaker, I beg to move that the House resolve itself into Committee of Ways and Means on the following resolutions:—

1. *Resolved*, That it is expedient to provide that the following rates of duty shall be assessed and collected on each of the articles hereinafter named, and to repeal all Acts or parts of Acts now in force, in so far as they provide for assessing and collecting any different rates of duty than the rates hereby provided, or which are inconsistent therewith:—

1. Almonds, shelled, a specific duty of 5 cents per lb.
2. Almonds, not shelled, and nuts of all kinds not elsewhere specified, a specific duty of 3 cents per lb.
3. Baking powder, a specific duty of 6 cents per lb.
4. Boxes, cases and writing desks, fancy and ornamental, and fancy manufactures of bone, shell, horn and ivory, also dolls and toys of all kinds and materials, ornaments of alabaster, spar, terra cotta or composition, statuettes, beads and bead ornaments 30 per cent. *ad valorem*.
5. Bolts, nuts, washers and rivets of iron or steel, a specific duty of 1 cent per lb. and 15 per cent. *ad valorem*.
6. Bleaching—Laundry bleaching of all kinds, 25 per cent. *ad valorem*.
7. Cider, a specific duty of 10 cents per Imperial gallon.
8. Cordage—Manilla and sisal cordage of all kinds, a specific duty of 1½ cents per lb. and 10 per cent. *ad valorem*.
9. Dedicated cocoanut, sweetened or not, a specific duty of 6 cents per lb.
10. Feathers, ostrich and vulture, undressed, 20 per cent. *ad valorem*.
11. Feathers, ostrich and vulture, dressed, 30 per cent. *ad valorem*.
12. Fruit, dried, viz.:—Raisins, a specific duty of 1 cent per lb. and 10 per cent. *ad valorem*.
13. Fruit, dried, viz.:—Currants, dates, figs, prunes, and all other dried fruits not elsewhere specified, a specific duty of 1 cent per lb.
14. Fruit, green, viz.:—Blackberries, gooseberries, raspberries and strawberries, a specific duty of 4 cents per lb., the weight of the package to be included in the weight for duty.
15. Peaches, a specific duty of 1 cent per lb., the weight of the package to be included in the weight for duty.
16. Gimps, cords, braids, ribbons and bindings, when imported by hat manufacturers for use in their factories, 15 per cent. *ad valorem*.
17. Gas, water and soil pipes of cast iron, 30 per cent. *ad valorem*.
18. Gloves and mitts of all kinds, 30 per cent. *ad valorem*.
19. Hair cloth of all kinds, 30 per cent. *ad valorem*.
20. Harness and saddlery of every description, and parts of the same, 30 per cent. *ad valorem*.
21. Laces, braids, fringes, embroideries, cords, tassels and bracelets; also braids, chains or cords of hair, 30 per cent. *ad valorem*.
22. Lead pipe and lead shot, a specific duty of 1½ cents per lb.
23. Oleomargarine, butterine or other substitute for butter, a specific duty of 10 cents per lb.
24. Printed or dyed cotton fabrics, not elsewhere specified, 27½ per cent. *ad valorem*.
25. Spirits and strong waters, not having been sweetened or mixed with any article so that the degree of strength thereof cannot be

- ascertained by Sykes' hydrometer, for every Imperial gallon of the strength of proof of such hydrometer, and so in proportion for any greater or less strength than the strength of proof, and for every greater or less quantity than a gallon, viz: Geneva gin, rum, whiskey, alcohol or spirits of wine, and unenumerated, un-mixed and not sweetened spirits, by whatever name called, a specific duty of \$1.75 per Imperial gallon.
26. Old Tom gin, a specific duty of \$1.60 per Imperial gallon.
27. Spirits and strong waters, mixed with any ingredient or ingredients, and although thereby coming under the denomination of proprietary medicines, tinctures, essences, extracts or any other denomination, including medicinal elixirs and fluid extracts, whether in bulk or bottle, not elsewhere specified, shall be nevertheless deemed to be spirits or strong waters, and subject to duty as such, a specific duty of \$1 per Imperial gallon and 30 per cent. *ad valorem*.
28. Cologne water and perfumed spirits in bottles or flasks, not weighing more than 4 ounces each, 50 per cent. *ad valorem*.
29. Cologne water and perfumed spirits in bottles, flasks or other packages, weighing more than 4 ounces each, a specific duty of \$1 per Imperial gallon, and 40 per cent. *ad valorem*.
30. Tubing, wrought iron, plain, 2 inches in diameter or under, coupled and threaded, or not, 30 per cent. *ad valorem*.
31. Whips of all kinds, 30 per cent. *ad valorem*.
32. Wire, iron or steel, galvanized or not, 15 gauge and coarser, 20 per cent. *ad valorem*.
33. Wire-fencing, buckthorn, strip and other similar fencing wire of iron or steel, a specific duty of 14 cents per lb.
34. Yeast cakes and compressed yeast in packages or bulk, of 1 lb. and over, a specific duty of 6 cents per lb.
35. Yeast cakes in packages of less than 1 lb., a specific duty of 8 cents per lb.
36. Portland and Roman cement to be classed with all other cement at specific rates as now provided.
37. On sugar, melado, concentrated melado, concentrated canejuice, concentrated molasses, concentrated beet root juice and concrete, when imported direct from the country of growth and production, for refining purposes only, not over No. 13 Dutch standard in color, and not testing over 70 degrees by the polariscope test, a specific duty of 1 cent per lb., and for every additional degree, or fraction of a degree shown by polariscope test, 34 cents per 100 lbs. additional.
38. On sugar not for refining purposes, not over No. 13 Dutch standard in color, when imported direct from the country of growth and production, a specific duty of 1 cent per lb. and 30 per cent. *ad*

valorem on the value thereof free on board at the last port of shipment.

39. On all sugars above No. 13 Dutch standard in color, and on refined sugar of all kinds, grades or standards, 1½ cents per lb., and 35 per cent. *ad valorem* on the value thereof free on board at the last port of shipment.
40. On all sugars not imported direct without transshipment from the country of growth and production, there shall be levied and collected an additional duty of 7½ per cent. of the whole duty so otherwise payable thereon.

Provided that when any cargo of sugar for refining purposes is found to grade, to the extent of not over 15 per cent. of the whole, above No. 13 Dutch Standard in color, the whole of said cargo may be admitted to enter by polariscope test as above provided for refining purposes only.

41. Syrups, cane juice, refined syrup, sugar house syrup of sugar house molasses, syrup of sugar, syrup of molasses or sorghum, whether imported direct or not—a specific duty of 1 cent per lb. and 30 per cent. *ad valorem*.
42. Molasses, other, when imported direct without transshipment and from the country of growth and production—15 per cent. *ad valorem*.
43. Molasses when not so imported—20 per cent. *ad valorem*.
- The value upon which the *ad valorem* duty shall be levied and collected upon all the above-named syrups and molasses shall be the value thereof free on board at the last port of shipment.
44. Provided that molasses, when imported for or received into any refinery or sugar factory, or to be used for any other purpose than actual consumption, shall be subject to, and there shall be levied and collected thereon, an additional duty of 5 cents per Imperial gallon.

Provided that the change in the rates of duty on sugars and molasses shall apply only to importations arriving in Canada on and after the 31st day of March instant, and not to such articles warehoused prior to that date.

45. Sugar candy, brown or white, and confectionery, a specific duty of 14 cents per lb. and 35 per cent. *ad valorem*.
2. *Resolved*, That it is expedient to amend Schedule "B," being the list of goods which are entitled to entry free of duty when imported to Canada, by substituting the following provisions for the corresponding items now contained therein:—

- Articles for the personal use of Consuls General who are natives or citizens of the country they represent and who are not engaged in any other business or profession.
- Borax, in lump.

3. Grease, the refuse of animal fat.
4. Iron and steel, old and scrap, but nothing shall be deemed scrap iron or steel except waste or refuse iron or steel that has been in actual use and fit only to be remanufactured.
5. Sumac, crude.
3. *Resolved*, That it is expedient to strike out the following articles from the list of goods which may be entered free of duty when imported into Canada, viz :—
 1. "Iron sand or globules, and dry putty for polishing granite."
 2. "Ottar of roses."
 3. "Philosophical instruments and apparatus, including globes and,"
 4. *Resolved*, That it is expedient to amend Schedule "D," relating to prohibited articles, by striking out the item relating to copyright works, and substituting the following in lieu thereof, viz :—
Reprints of Canadian copyright works, and reprints of British copyright works which have been also copyrighted in Canada.
 5. *Resolved*, That it is expedient to provide that an Excise duty of 8 cents per lb. be levied and collected on all oleomargarine, butterine or other substitute for butter manufactured in Canada.
 6. *Resolved*, That it is expedient to provide that the foregoing resolutions, and the alterations made in the duties of Customs and Excise on the articles therein mentioned, shall take effect upon and after the 31st of March instant.



32173

**END OF
TITLE**